

7 August 2008

Produced and issued by: ABN AMRO Bank NV†

Bekaert

Raising our forecasts

Change of target price

Buy

Target price
€130.00 (from €120.00)

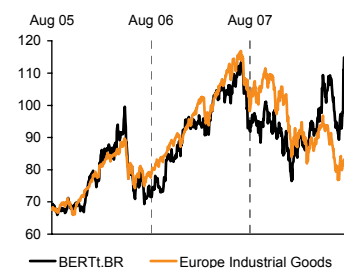
Price
€114.85

Short term (0-60 days)
n/a

Sector relative to market
Underweight

Price performance

	(1M)	(3M)	(12M)
Price (€)	93.49	95.03	98.83
Absolute %	22.8	20.9	16.2
Rel market %	19.8	36.9	46.5
Rel sector %	17.2	34.2	46.7



Market capitalisation
€2.28bn

Average (12 mnth) daily turnover
€5.60m

RIC: BERTL.BR, BEKB BB
Priced at close of business 6 Aug 2008.
Source: Bloomberg

Analysts

Pieter Zwinkels
Netherlands
+31 20 383 6797
pieter.zwinkels@nl.abnamro.com

Mark Pieter de Boer
+31 20 383 6782
mark.pieter.de.boer@nl.abnamro.com

Gustav Mahlerlaan 10, 1082 PP
Amsterdam, Netherlands

<http://www.abnamroresearch.com>

We raise our 2008-10F forecasts on Bekaert in response to stronger-than-expected 1H08 numbers. The company is rapidly moving its steelcord production to China and is introducing high-margin products in Europe and North America. We reiterate Buy.

Key forecasts

	FY06A	FY07A	FY08F	FY09F	FY10F
Revenue (€m)	2009.6	2173.1	2625.3	2901.3	3043.5
EBITDA (€m)	262.2	300.5	394.3 ▲	390.8 ▲	384.8 ▲
Reported net profit (€m)	142.3	152.9	227.7 ▲	216.4 ▲	216.8 ▲
Normalised net profit (€m)	142.3	152.9	227.7 ▲	216.4 ▲	216.8 ▲
Normalised EPS (€)	6.59	7.58	11.4 ▲	10.8 ▲	10.9 ▲
Dividend per share (€)	2.50	2.76	3.50 ▲	3.75 ▲	4.00 ▲
Dividend yield (%)	2.18	2.40	3.05	3.27	3.48
Normalised PE (x)	17.4	15.2	10.1	10.6	10.6
EV/EBITDA (x)	10.4	9.30	7.09	7.03	6.89
EV/invested capital (x)	1.55	1.52	1.39	1.30	1.22
ROIC - WACC (%)	4.59	6.48	9.78	8.29	7.02

Use of ▲ ▼ indicates that the line item has changed by at least 5%.

Accounting Standard: IFRS

Source: Company data, ABN AMRO forecasts

year to Dec, fully diluted

A true blowout

Bekaert's 1H08 result was significantly better than we expected. Sales totalled €1.303bn (up 22.3%, our forecast: €1.22bn), driven by 20% organic growth, 7.6% from acquisitions, and 5.3% shaved off by currency effects. EBIT was €145.3m (our forecast: €108m), which yields an 11.1% margin and implies 290bp improvement yoy. The net result was €126.0m (our forecast: €83m).

Wires setting the trend

Bekaert's largest division, Advanced Wire Products, was mainly responsible for the positive surprise. As expected, China set the trend (sales up 84% in 2Q), but we were particularly surprised by strong organic growth in Europe (25%) and the US (18%). In addition, profitability improved at an even more rapid pace than sales. Despite the volatile market for its main product, wire rod, Bekaert was able to pass on higher raw material prices. As argued in our preview, the spike in wire rod prices has a positive impact on Bekaert's inventory. We estimate this revaluation provided €15m of the EBIT improvement. The remaining €49m improvement is driven by higher volumes of innovative products and sales growth in steelcord in China.

Innovations increase margins

Bekaert's R&D efforts of recent years have resulted in a wide portfolio on products with higher margins. Bekaert has already announced that it will increase its R&D spending, which should support sales growth and margins going forward.

We raise our forecasts and reiterate Buy

We raise our 2008F and 2009F EPS 39% and 24%, respectively, related to higher sales and margin assumptions in these years. We emphasise that we assume a margin decrease in our model. If markets don't materially change, our assumptions could be conservative. Our DCF valuation on a consolidated basis points to a fair value of €87 per share for this business, while Bekaert's JVs imply a value of €41 per share. We raise our target price to €130 per share from €120 and reiterate Buy.

Important disclosures can be found in the Disclosures Appendix.

†ABN AMRO group companies are subsidiary undertakings of The Royal Bank of Scotland Group plc.

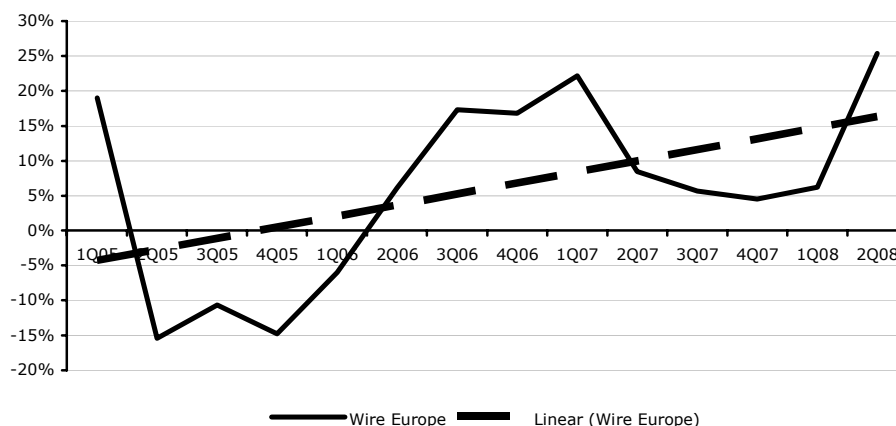
Strong 1H results

Bekaert posted blowout 1H08 results, driven by a stronger-than-expected organic growth of 22% and 290bp EBIT margin improvement. Bekaert's joint ventures generated €36m net profit, which exceeded our €22m forecast. We raise our forecasts and reiterate Buy.

Advanced Wires

In Advanced Wires, we are positively surprised at developments in Europe (25% growth in 2Q) and the US (18% growth). Bekaert is still able to show growth in these regions and, in fact, growth is accelerating. We believe Bekaert's focus on innovative products is beginning to pay off, compensating for the decline in its traditional steelcord business in these markets. The company increased its R&D spending from €45m in 2005 to €57m in 2007, which has resulted in new product introductions. Bekaert's traditional clients for steelcord, tyre manufacturers, are moving production to China, and Bekaert is following them. In Steelcord others (except China), sales decreased 2% in 2Q.

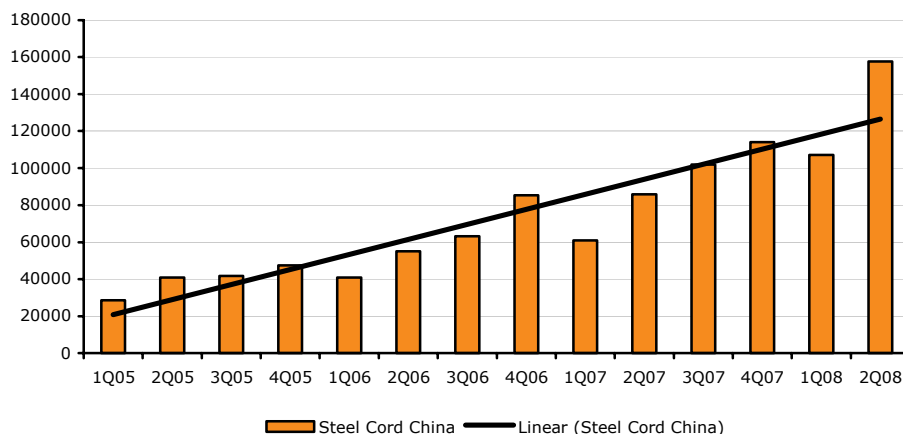
Figure 1 : Wire Europe growth



Source: Company data

Surprisingly, Bekaert has already realised its capacity expansion in China to 300,000 tons, which was initially scheduled for year-end. In addition, the company has announced it will increase capacity to 325,000 tons this year. Bekaert showed an astonishing 84% sales growth in Steelcord China in 2Q, which is even accelerating vs a very strong 1Q. Total sales in this segment is almost exceeding steelcord sales in other regions. In other words, we expect China to overtake the Western world in terms of steelcord production. We have always argued that Bekaert is able to generate above-average group margins in China since its clients in China are dedicated tyre manufacturers, while in Europe Bekaert competes with its own clients, who also produce in-house. Evidence of this: Bekaert's peer in China, Xingda, has EBIT margins exceeding 20%, while Bekaert generated an exceptional 14.9% in 1H08 in Wires.

Figure 2 :Steelcord China sales (€000)

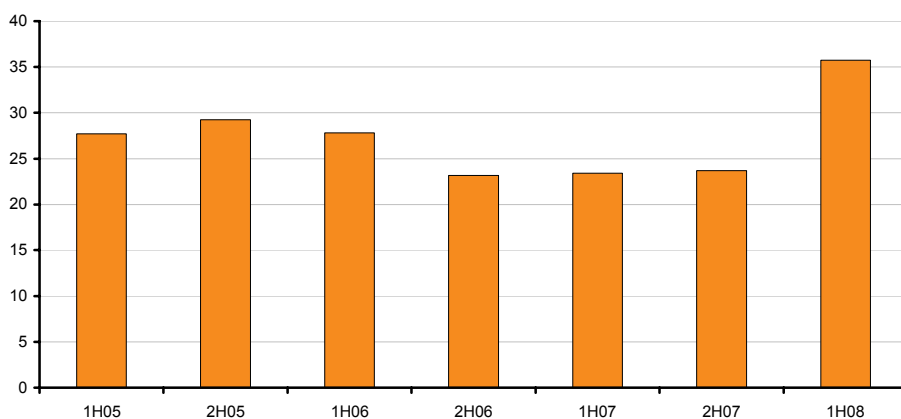


Source: Company data

Latin America: the joint-ventures

In Latin America, Bekaert is mainly active via joint ventures with steel manufacturers such as Arcelor Mittal. Its main operations are in Brazil, where Bekaert generates some 80% of net profit from JVs. The 1H result for the joint ventures was strong, with a 52% net profit increase to €36m, beating our forecast of €22m. Although partly aided by the strong Brazilian real, which was 4% higher vs the euro in 1H, the remaining growth can be explained by strong growth and improving margins.

Figure 3 : Net profit contribution from JVs (€m)



Source: Company data

Margin improvement of 290bp

Besides stronger-than-expected sales growth in Advanced Wires, margin improvement was also better than we expected. As we argued prior to the numbers release, Bekaert benefited from the spike in wire rod prices. Bekaert was able to pass on price increases, while its inventory was revalued at the new market price. We estimate that from the nominal EBIT increase of €64m, some €15m was related to this revaluation. All in all, we believe the normalised EBIT margin was 13.5%.

We believe that even the 13.5% EBIT margin is at the high end of the range and we take a more conservative stance here. We believe that the margin will fall back to a more normalised level of 11.0% in 2009. We acknowledge here that we have taken into account a weakening in the extraordinary market circumstances in 1H. If markets do not materially change, our assumptions could be too conservative.

Table 1 : Sales forecasts for Advanced Wires

Combined sales growth (yoy)	1H06	2H06	2006	1H07	2H07	2007	1H08	2H08F	2008F	2009F	2010F
Wire Europe	0%	8%	8%	15%	5%	10%	16%	10%	13%	5%	3%
Wire North America	1%	-13%	-6%	-7%	5%	-2%	9%	0%	5%	3%	2%
Wire Latin America	21%	5%	7%	4%	19%	12%	25%	15%	20%	10%	6%
Wire Asia	12%	-34%	7%	18%	10%	14%	63%	40%	51%	20%	6%
Building products	2%	14%	11%	13%	9%	11%	18%	10%	14%	8%	5%
Steelcord China	38%	52%	54%	53%	45%	48%	80%	50%	62%	20%	10%
Steelcord others	-4%	-4%	-6%	-9%	-3%	-6%	-5%	0%	-2%	-3%	-3%
Other advanced wire products	30%	-80%	6%	-2%	-1%	-2%	-22%	-20%	-21%	0%	0%

Source: Company data, ABN AMRO forecasts

Raising our forecasts

We have raised our forecasts in response to stronger growth and higher margins going forward. Bekaert seems to have been transformed from a steelcord company to a company that focuses on innovations with substantially higher margins. We expect the company to change its reporting style next year in end markets instead of products, emphasising its diversified product portfolio.

Table 2 : Our new forecasts

	2008F			2009F			2010F		
	New	Old	Difference	New	Old	Difference	New	Old	Difference
Sales	2625	2426	8%	2901	2621	11%	3043	2749	11%
EBIT	268	191	40%	257	215	20%	249	227.5	9%
Net profit	228	164	39%	216	174	24%	216	185	17%
EPS	11.36	8.17	39%	10.82	8.74	24%	10.90	9.26	17%

Source: ABN AMRO forecasts

Valuation

To value Bekaert's share, we have consistently used a DCF for the consolidated business, while using a dividend discount model for its joint ventures. In our WACC calculations, we use 1) a risk-free rate of 4.65%, 2) an asset beta of 1.0, 3) a target gearing of 40% and 4) an effective corporate tax rate of 27%. Our WACC is 7.72%.

In our dividend discount model (included in 'other assets' in the DCF analysis), we use a payout ratio of 90% from the reported contribution to net profit. In addition, we use a WACC of 9%, which is significantly above the group WACC, since these JVs are almost debt-free. All in all, we apply a value for the JVs of €41 per share. The combination of DCF and the dividend discount model results in our new target price of €130 per share (from €120 previously).

Recommendation structure

Absolute performance, short term (trading) recommendation: A Trading Buy recommendation implies upside of 5% or more and a Trading Sell indicates downside of 5% or more. The trading recommendation time horizon is 0-60 days. For Australian coverage, a Trading Buy recommendation implies upside of 5% or more from the suggested entry price range, and a Trading Sell recommendation implies downside of 5% or more from the suggested entry price range. The trading recommendation time horizon is 0-60 days.

Absolute performance, long term (fundamental) recommendation: The recommendation is based on implied upside/downside for the stock from the target price. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%. For UK Small/Mid-Cap Analysis a Buy/Sell implies upside/downside of 10% or more, an Add/Reduce 5-10% and a Hold less than 5%. For UK-based Investment Funds research the recommendation structure is not based on upside/downside to the target price. Rather it is the subjective view of the analyst based on an assessment of the resources and track record of the fund management company. For listed property trusts (LPT) or real estate investment trusts (REIT) the recommendation is based upon the target price plus the dividend yield, ie total return.

Performance parameters and horizon: Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months. Sector relative to market: The sector view relative to the market is the responsibility of the strategy team. Overweight/Underweight implies upside/downside of 10% or more and Neutral implies less than 10% upside/downside. Target price: The target price is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon. In this way, therefore, the target price abstracts from the need to take a view on the market or sector. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value, the target price will differ from 'fair' value.

Distribution of recommendations

The tables below show the distribution of ABN AMRO's recommendations (both long term and trading). The first column displays the distribution of recommendations globally and the second column shows the distribution for the region. Numbers in brackets show the percentage for each category where ABN AMRO has an investment banking relationship.

Long Term recommendations (as at 07 Aug 2008)		
	Global total (IB%)	Europe total (IB%)
Buy	541 (4)	163 (13)
Add	0 (0)	0 (0)
Hold	369 (2)	158 (5)
Reduce	0 (0)	0 (0)
Sell	91 (0)	36 (0)
Total (IB%)	1001 (3)	357 (8)

Source: ABN AMRO

Trading recommendations (as at 07 Aug 2008)		
	Global total (IB%)	Europe total (IB%)
Trading Buy	7 (0)	0 (0)
Trading Sell	1 (0)	0 (0)
Total (IB%)	8 (0)	0 (0)

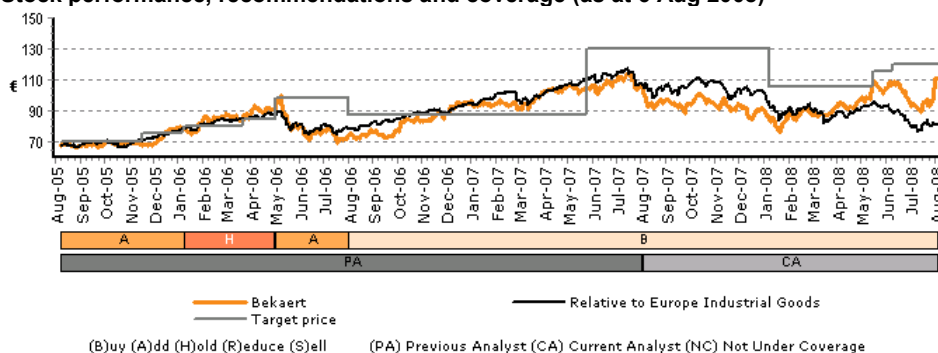
Source: ABN AMRO

Valuation and risks to target price

Bekaert (RIC: BERTt.BR, Rec: Buy, CP: €114.85, TP: €130.00): A key risk to our DCF- and DDM-based valuation and target price would be a shortage of raw materials. A sudden drop in the price of wire rods could squeeze margins, although an increase in the price would be beneficial. In addition, deterioration of the global tyre market could impose a risk.

Bekaert coverage data

Stock performance, recommendations and coverage (as at 6 Aug 2008)



Trading recommendation history (as at 07 Aug 2008)

Date	Rec	Analyst
	n/a	

Source: ABN AMRO

ABN AMRO changed the recommendation structure for this stock from one based on absolute performance to sector relative performance on 12 Jul 05
 Pieter Zwinkels started covering this stock on 2 Aug 07
 Moved to new recommendation structure between 1 November 2005 and 31 January 2006
 Source: ABN AMRO

Regulatory disclosures

Subject companies: **BERTt.BR**

Global disclaimer

© Copyright 2008 ABN AMRO Bank N.V. and affiliated companies ("ABN AMRO"). All rights reserved.

This material was prepared by the ABN AMRO affiliate named on the cover or inside cover page. It is provided for informational purposes only and does not constitute an offer to sell or a solicitation to buy any security or other financial instrument. While based on information believed to be reliable, no guarantee is given that it is accurate or complete. While we endeavour to update on a reasonable basis the information and opinions contained herein, there may be regulatory, compliance or other reasons that prevent us from doing so. The opinions, forecasts, assumptions, estimates, derived valuations and target price(s) contained in this material are as of the date indicated and are subject to change at any time without prior notice. The investments referred to may not be suitable for the specific investment objectives, financial situation or individual needs of recipients and should not be relied upon in substitution for the exercise of independent judgement. The stated price of any securities mentioned herein is as of the date indicated and is not a representation that any transaction can be effected at this price. Neither ABN AMRO nor other persons shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material. This material is for the use of intended recipients only and the contents may not be reproduced, redistributed, or copied in whole or in part for any purpose without ABN AMRO's prior express consent. In any jurisdiction in which distribution to private/retail customers would require registration or licensing of the distributor which the distributor does not currently have, this document is intended solely for distribution to professional and institutional investors.

Australia: Any report referring to equity securities is distributed in Australia by ABN AMRO Equities Australia Ltd (ABN 84 002 768 701, AFS Licence 240530), a participant of the ASX Group. Any report referring to fixed income securities is distributed in Australia by ABN AMRO Bank NV (Australia Branch) (ABN 84 079 478 612, AFS Licence 238266). Australian investors should note that this document was prepared for wholesale investors only.

Brazil: This document was not elaborated by securities analysts registered at Comiss o de Valores Mobili rios - CVM. Investors resident in Brazil who receive this report should rely only on research prepared by research analysts registered at CVM. In addition to other representations contained in this report, research analysts who prepared this report state that the views expressed and attributed to them accurately reflect solely and exclusively their personal opinions about the subject securities and issuers and/or other subject matter as appropriate, having such opinion(s) been produced freely and independently from any party, including from The Royal Bank of Scotland or any of its affiliates.

Canada: The securities mentioned in this material are available only in accordance with applicable securities laws and many not be eligible for sale in all jurisdictions. Persons in Canada requiring further information should contact their own advisors.

EEA: This material constitutes "investment research" for the purposes of the Markets in Financial Instruments Directive and as such contains an objective or independent explanation of the matters contained in the material. Any recommendations contained in this document must not be relied upon as investment advice based on the recipient's personal circumstances. In the event that further clarification is required on the words or phrases used in this material, the recipient is strongly recommended to seek independent legal or financial advice.

Denmark: ABN AMRO Bank N.V. is authorised and regulated in the Netherlands by De Nederlandsche Bank. In addition, ABN AMRO Bank N.V., Copenhagen Branch is subject to local supervision by Finanstilsynet, the Danish Financial Supervisory Authority. All analysts located in Denmark follow the recommendations from the Danish Securities Dealers Association.

Finland: ABN AMRO Bank N.V. is authorised and regulated in the Netherlands by De Nederlandsche Bank. In addition, ABN AMRO Bank N.V., Helsinki Branch is subject to local supervision by Rahoitusarkastus, the Finnish Financial Supervision Authority.

Hong Kong: This document is being distributed in Hong Kong by, and is attributable to, ABN AMRO Asia Limited which is regulated by the Securities and Futures Commission of Hong Kong.

India: Shares traded on stock exchanges within the Republic of India may only be purchased by different categories of resident Indian investors, Foreign Institutional Investors registered with The Securities and Exchange Board of India ("SEBI") or individuals of Indian national origin resident outside India called Non Resident Indians ("NRIs") and Overseas Corporate Bodies ("OCBs"), predominantly owned by such persons or Persons of Indian Origin (PIO). Any recipient of this document wanting additional information or to effect any transaction in Indian securities or financial instrument mentioned herein must do so by contacting a representative of ABN AMRO Asia Equities (India) Limited.

Italy: Persons in Italy requiring further information should contact ABN AMRO Bank N.V. Milan Branch.

Japan: This report is being distributed in Japan by ABN AMRO Securities Japan Ltd to institutional investors only.

Malaysia: ABN AMRO research, except for economics and FX research, is not for distribution or transmission into Malaysia.

New Zealand: This document is distributed in New Zealand to institutional investors by ABN AMRO Securities NZ Limited, an NZX accredited firm, and to retail investors by ABN AMRO Craigs Limited, an NZX accredited firm. ABN AMRO Craigs Limited and/or its partners and employees may, from time to time, have a financial interest in respect of some or all of the matters discussed.

Russia: The Russian securities market is associated with several substantial risks, legal, economic and political, and high volatility. There is a relatively high measure of legal uncertainty concerning rights, duties and legal remedies in the Russian Federation. Russian laws and regulations governing investments in securities markets may not be sufficiently developed or may be subject to inconsistent or arbitrary interpretation or application. Russian securities are often not issued in physical form and registration of ownership may not be subject to a centralised system. Registration of ownership of certain types of securities may not be subject to standardised procedures and may even be effected on an ad hoc basis. The value of investments in Russian securities may be affected by fluctuations in available currency rates and exchange control regulations.

Singapore: Any report referring to equity securities is distributed in Singapore by ABN AMRO Asia Securities (Singapore) Pte Limited (RCB Regn No. 198703346M) to clients who fall within the description of persons in Regulation 49 of the Securities and Futures (Licensing and Conduct of Business) Regulations and Regulations 34 and 35 of the Financial Advisers Regulations. Any report referring to non-equity securities is distributed in Singapore by ABN AMRO Bank NV (Singapore Branch) Limited to clients who fall within the description of persons in Regulations 34 and 35 of the Financial Advisers Regulations. Investors should note that this material was prepared for accredited investors only. Recipients who do not fall within the description of persons under Regulation 49 of the Securities and Futures (Licensing and Conduct of Business) Regulations or Regulations 34 and 35 of the Financial Advisers Regulations should seek the advice of their independent financial advisor prior to taking any investment decision based on this document or for any necessary explanation of its contents.

Sweden: ABN AMRO Bank N.V. is authorised and regulated in the Netherlands by De Nederlandsche Bank. In addition, ABN AMRO Bank N.V., Stockholm Branch is subject to local supervision by the Swedish Financial Supervisory Authority.

Thailand: Pursuant to an agreement with Asia Plus Securities Public Company Limited (APS), reports on Thai securities published out of Thailand are prepared by APS but distributed outside Thailand by ABN AMRO Bank NV and affiliated companies. Responsibility for the views and accuracy expressed in such documents belongs to APS.

United Kingdom: All research is distributed by ABN AMRO Bank NV, London Branch, which is authorised by De Nederlandsche Bank and regulated by the Financial Services Authority for the conduct of UK business. The investments and services contained herein are not available to private customers in the United Kingdom.

UAE and Qatar: This report is produced by ABN AMRO N.V and is being distributed to professional and institutional investors only in the United Arab Emirates and Qatar in accordance with the regulatory requirements governing the distribution of investment research in these jurisdictions.

United States: Except for any documents relating to foreign exchange, FX or global FX, distribution of this document in the United States or to US persons is intended to be solely to major institutional investors as defined in Rule 15a-6(a)(2) under the US Securities Act of 1934. All US persons that receive this document by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities. Any US recipient of this document wanting additional information or to effect any transaction in any security or financial instrument mentioned herein, must do so by contacting a registered representative of ABN AMRO Incorporated, Park Avenue Plaza, 55 East 52nd Street, New York, N.Y. 10055, US, tel + 1 212 409 1000, fax +1 212 409 5222.

- Material means all research information contained in any form including but not limited to hard copy, electronic form, presentations, e-mail, SMS or WAP.

The Royal Bank of Scotland plc is authorised and regulated in the UK by the Financial Services Authority.

The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report. On a general basis, the efficacy of recommendations is a factor in the performance appraisals of analysts.

For a discussion of the valuation methodologies used to derive our price targets and the risks that could impede their achievement, please refer to our latest published research on those stocks at www.abnamroresearch.com.

Disclosures regarding companies covered by ABN AMRO group can be found on ABN AMRO's research website at www.abnamroresearch.com.

ABN AMRO's policy on managing research conflicts of interest can be found at <https://www.abnamroresearch.com/Disclosure/Disclosure.AspX?MI=5>.

Should you require additional information please contact the relevant ABN AMRO research team or the author(s) of this report.

Income statement

€m	FY06A	FY07A	FY08F	FY09F	FY10F
Revenue	2009.6	2173.1	2625.3	2901.3	3043.5
Cost of sales	-1498.5	-1613.3	-1913.2	-2089.9	-2217.4
Operating costs	-248.9	-259.3	-317.8	-420.7	-441.3
EBITDA	262.2	300.5	394.3	390.8	384.8
DDA & Impairment (ex gw)	-116.2	-125.9	-126.4	-132.7	-135.0
EBITA	145.9	174.6	268.0	258.1	249.8
Goodwill (amort/impaird)	n/a	n/a	n/a	n/a	n/a
EBIT	145.9	174.6	268.0	258.1	249.8
Net interest	-25.1	-41.0	-45.4	-41.0	-36.0
Associates (pre-tax)	n/a	n/a	n/a	n/a	n/a
Other pre-tax items	-6.56	0.00	0.00	0.00	0.00
Reported PTP	114.2	133.6	222.6	217.1	213.8
Taxation	-18.1	-19.1	-44.8	-54.3	-53.5
Minority interests	-4.77	-8.73	-14.1	-13.0	-12.8
Other post-tax items	51.0	47.1	64.0	66.6	69.3
Reported net profit	142.3	152.9	227.7	216.4	216.8
Tot normalised items	0.00	0.00	0.00	0.00	0.00
Normalised EBITDA	262.2	300.5	394.3	390.8	384.8
Normalised PTP	114.2	133.6	222.6	217.1	213.8
Normalised net profit	142.3	152.9	227.7	216.4	216.8

Source: Company data, ABN AMRO forecasts

year to Dec

Balance sheet

€m	FY06A	FY07A	FY08F	FY09F	FY10F
Cash & market secs (1)	52.1	58.1	200.6	120.5	166.9
Other current assets	862.1	919.0	1139.8	1250.2	1307.1
Tangible fixed assets	824.2	917.6	991.0	1008.2	1013.2
Intang assets (incl gw)	134.5	122.0	109.3	109.3	109.3
Oth non-curr assets	343.9	295.9	304.1	310.8	317.7
Total assets	2216.9	2312.6	2744.8	2799.0	2914.2
Short term debt (2)	218.0	253.0	289.5	289.5	289.5
Trade & oth current liab	376.6	387.5	498.6	530.4	546.7
Long term debt (3)	274.4	322.5	431.1	300.0	250.0
Oth non-current liab	226.6	203.0	198.5	198.5	198.5
Total liabilities	1095.5	1166.0	1417.7	1318.3	1284.7
Total equity (incl min)	1121.3	1146.6	1327.1	1480.7	1629.6
Total liab & sh equity	2216.9	2312.6	2744.8	2799.0	2914.2
Net debt (2+3-1)	440.2	517.4	520.0	469.0	372.6

Source: Company data, ABN AMRO forecasts

year ended Dec

Cash flow statement

€m	FY06A	FY07A	FY08F	FY09F	FY10F
EBITDA	262.2	300.5	394.3	390.8	384.8
Change in working capital	49.7	-45.9	-109.7	-78.7	-40.5
Net interest (pd) / rec	-31.7	-41.0	-45.4	-41.0	-36.0
Taxes paid	-23.3	-14.5	-46.6	-54.3	-53.5
Other oper cash items	12.2	98.8	66.1	59.9	62.4
Cash flow from ops (1)	269.1	297.9	258.7	276.8	317.2
Capex (2)	-171.7	-219.0	-200.0	-150.0	-140.0
Disposals/(acquisitions)	0.00	0.00	0.00	0.00	0.00
Other investing cash flow	0.00	0.00	0.00	0.00	0.00
Cash flow from invest (3)	-171.7	-219.0	-200.0	-150.0	-140.0
Incr / (decr) in equity	-84.0	-106.1	0.02	0.00	0.00
Incr / (decr) in debt	-52.0	83.1	145.1	-131.1	-50.0
Ordinary dividend paid	-72.2	-56.6	-61.3	-75.8	-80.8
Preferred dividends (4)	0.00	0.00	0.00	0.00	0.00
Other financing cash flow	0.19	26.3	-0.02	0.00	0.00
Cash flow from fin (5)	-208.1	-53.3	83.9	-206.9	-130.8
Forex & disc ops (6)	0.00	0.00	0.00	0.00	0.00
Inc/(decr) cash (1+3+5+6)	-110.7	25.6	142.6	-80.2	46.5
Equity FCF (1+2+4)	97.4	78.9	58.7	126.8	177.2

Lines in bold can be derived from the immediately preceding lines.
Source: Company data, ABN AMRO forecasts

year to Dec

Standard ratios

	Bekaert					ArcelorMittal			Europe sector aggregate				
	FY06A	FY07A	FY08F	FY09F	FY10F	FY08F	FY09F	FY10F	2008	2009	2010		
Performance													
Sales growth (%)	4.98	8.14	20.8	10.5	4.90	21.7	-1.85	1.40	5.78	4.59	4.59		
EBITDA growth (%)	1.83	14.6	31.2	-0.89	-1.54	8.82	-0.78	5.68	8.18	1.64	3.62		
EBIT growth (%)	7.09	19.6	53.5	-3.69	-3.21	7.58	-1.03	6.90	8.41	-0.11	3.06		
Normalised EPS growth (%)	6.58	15.0	49.8	-4.57	0.22	7.80	2.43	10.8	n/a	n/a	n/a		
EBITDA margin (%)	13.0	13.8	15.0	13.5	12.6	16.5	16.7	17.4	13.6	13.1	13.6		
EBIT margin (%)	7.26	8.03	10.2	8.90	8.21	12.5	12.6	13.2	9.03	8.54	8.58		
Net profit margin (%)	7.08	7.04	8.67	7.46	7.12	8.76	8.99	9.61	5.07	4.95	5.00		
Return on avg assets (%)	7.92	9.20	11.7	10.1	9.62	9.48	8.81	8.90	3.92	3.93	3.88		
Return on avg equity (%)	13.2	14.1	19.2	16.0	14.4	19.3	17.8	17.3	13.9	13.9	13.5		
ROIC (%)	12.3	14.2	17.5	16.0	14.7	17.4	17.1	18.8	11.4	11.1	11.1		
ROIC - WACC (%)	4.59	6.48	9.78	8.29	7.02	9.10	8.86	10.5	3.42	3.14	2.54		
				year to Dec			year to Dec			year to Dec			
Valuation													
EV/sales (x)	1.35	1.29	1.07	0.95	0.87	1.05	0.99	0.89	0.76	0.70	0.70		
EV/EBITDA (x)	10.4	9.30	7.09	7.03	6.89	6.37	5.92	5.12	5.58	5.36	5.13		
EV/EBITDA @ tgt price (x)	11.5	10.3	7.86	7.80	7.67	7.14	6.70	5.85	1.12	1.04	1.07		
EV/EBIT (x)	18.6	16.0	10.4	10.6	10.6	8.43	7.85	6.71	8.41	8.19	8.11		
EV/invested capital (x)	1.55	1.52	1.39	1.30	1.22	1.46	1.38	1.29	1.08	1.04	0.98		
Price/book value (x)	2.31	2.11	1.80	1.60	1.45	1.97	1.74	1.52	n/a	n/a	n/a		
Equity FCF yield (%)	3.92	3.40	2.55	5.53	7.73	7.43	10.8	11.3	3.90	5.92	7.88		
Normalised PE (x)	17.4	15.2	10.1	10.6	10.6	10.5	10.3	9.26	11.6	11.1	10.9		
Norm PE @ tgt price (x)	19.7	17.2	11.4	12.0	12.0	12.0	11.7	10.5	0.00	0.00	0.00		
Dividend yield (%)	2.18	2.40	3.05	3.27	3.48	1.72	1.79	1.79	3.42	3.75	4.29		
				year to Dec			year to Dec			year to Dec			
Per share data													
Tot adj dil sh, ave (m)	21.6	20.2	20.0	20.0	20.0	Solvency			FY06A	FY07A	FY08F	FY09F	FY10F
Reported EPS (EUR)	6.59	7.58	11.4	10.8	10.9	Net debt to equity (%)			39.3	45.1	39.2	31.7	22.9
Normalised EPS (EUR)	6.59	7.58	11.4	10.8	10.9	Net debt to tot ass (%)			19.9	22.4	18.9	16.8	12.8
Dividend per share (EUR)	2.50	2.76	3.50	3.75	4.00	Net debt to EBITDA			1.68	1.72	1.32	1.20	0.97
Equity FCF per share (EUR)	4.51	3.91	2.93	6.35	8.88	Current ratio (x)			1.54	1.53	1.70	1.67	1.76
Book value per sh (EUR)	49.7	54.4	63.8	71.7	79.2	Operating CF int cov (x)			10.2	8.62	7.73	9.07	11.3
				year to Dec		Dividend cover (x)			1.97	2.70	3.71	2.85	2.68
												year to Dec	

Priced as follows: BERT.BR - €114.85; ISPA.AS - €54.51
Source: Company data, ABN AMRO forecasts

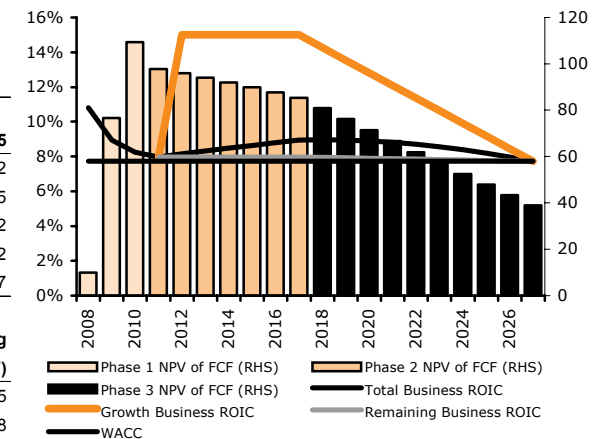
Valuation methodology

Economic Profit Valuation			Discounted Cash Flow Valuation		
	EURm	%		EURm	%
Adjusted Opening Invested Capital	2063.3	90	Value of Phase 1: Explicit (2008 to 2010)	195.7	9
NPV of Economic Profit During Explicit Period	56.6	2	Value of Phase 2: Value Driver (2011 to 2017)	642.7	28
NPV of Econ Profit of Remaining Business (1, 2)	36.0	2	Value of Phase 3: Fade (2018 to 2027)	596.3	26
NPV of Econ Profit of Net Inv (Grth Business) (1, 3)	128.4	6	Terminal Value	850.5	37
Enterprise Value	2284.3	100	Enterprise Value	2285.2	100
Plus: Other Assets	815.4	36	FCF Grth Rate at end of Phs 1 implied by DCF Valuation		2.4
Less: Minorities	48.4	2	FCF Grth Rate at end of Phs 1 implied by Current Price		1.4
Less: Net Debt / Leases (as at 06 Aug 2008)	520.0	23			
Equity Value	2531.3	111			
No. Shares (millions)	19.7				
Per Share Equity Value	128.69				
Current Share Price	114.85				

Sensitivity Table		No of Years in Fade Period				
		15	18	20	23	25
WACC	6.0%	155.15	158.73	161.08	164.55	166.82
	7.0%	140.55	142.84	144.33	146.53	147.95
	8.0%	127.91	129.24	130.11	131.39	132.22
	9.0%	116.93	117.55	117.97	118.61	119.02
	10.0%	107.35	107.46	107.56	107.74	107.87

Performance Summary				Phase 2 Avg
	2008	2009	2010	(2011 - 2017)
Invested Capital Growth (%)	9.5	5.0	2.4	2.5
Operating Margin (%)	9.7	8.5	7.8	7.8
Capital Turnover (x)	1.4	1.4	1.4	1.4

Returns, WACC and NPV of Free Cash Flow



Source: ABN AMRO forecasts

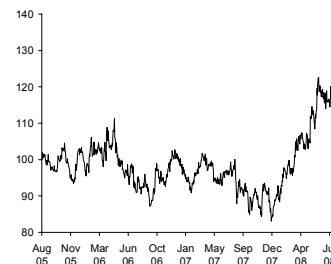
- In periods following the Explicit Period i.e. Phase 2 and Phase 3
- Remaining Business is defined as Capital as at the end of Phase 1 and capex = depreciation thereafter
- Net Investment is defined as capex over and above depreciation after Phase 1

Company description

Buy

Price relative to sector

Bekaert, established in 1880, is active worldwide in select applications of its two core competencies: 'advanced metal transformation' and 'advanced materials and coatings'. Bekaert strives to be a market and technological leader in its niche markets. Management is strong, in our view, with a focus on creating shareholder value. Bekaert should be able to maintain its market position and profitability via small add-on acquisitions.



Strategic analysis

Average SWOT company score: 4

Sales breakdown 1H08

Strengths 4

Worldwide positions in almost every niche market in which it is active. Well-positioned focus on its two core competencies. Management is strong, in our view. All in all, a limited-risk company.

Weaknesses 3

Sensitivity to the GDP rate. When GDP declines, Bekaert's sold volume will normally decline and therefore profitability will decline.

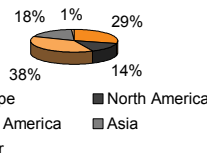
Opportunities 4

Strategic acquisitions could reinforce its leading positions and generate synergy advantages. Due to difficult market circumstances, we believe some of Bekaert's rivals will leave the market.

Threats 3

A further depreciation of the US dollar would threaten net profit as half the sales are generated in US dollars or currencies tied to the US dollar. Another possible threat is the delisting on the BEL-20, which would reduce daily volumes.

Scoring range is 1-5 (high score is good)



Source: Company

Market data

Headquarters
President Kennedypark 18 Kortrijk

Website
www.bekaert.be

Shares in issue
19.8m

Freefloat
60%

Majority shareholders
Stichting Administratiekantoor Bekaert (38%),
Common attorney, Mr Oberson (11%)

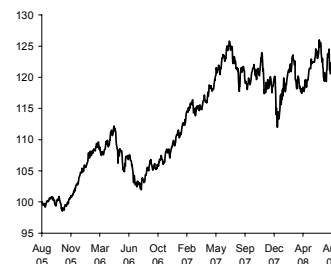
Sector view

Underweight

Sector rel to Europe

Within the sector we prefer long cycle plays with secular demand growth. Areas such as energy infrastructure offer the stronger case in our view. The US market remains significant for many companies, as is the US dollar. We believe margin forecasts are overly optimistic, with further improvements on 20-year highs discounted.

The sector view is set in consultation with the relevant company analyst but is the ultimate responsibility of the Strategy Team.



Industry competitive position

Average competitive score: 4+

Broker recommendations

Supplier power 5+

Because of its market leadership, Bekaert is able to directly increase its selling prices and protect its gross profits in the advanced wire division.

Barriers to entry 4+

Since FY04, Bekaert has increased its research and development expenses to slightly more than €50m, resulting in more than 1,400 patents owned.

Customer power 3+

High in some niches such as the tyre industry. Few clients account for a high share of sales, making Bekaert dependent upon them. Low in other markets where Bekaert is unique.

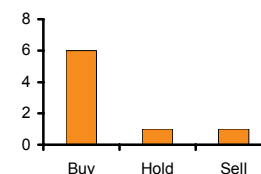
Substitute products 5-

Not relevant

Rivalry 5-

Bekaert's combination of core competencies makes the company unique. Most rivals are privately owned companies with less supplier power.

Scoring range 1-5 (high score is good) Plus = getting better Minus = getting worse



Source: Reuters