

Morning Note

28 July 2003

Bekaert

BERTt.BR / BEKB BB

1H results

Neutral

(Rating unchanged)

Belgium

Current price: € 44.00

Target price: € 45.00

Market cap: € 981m

Free Float 60 %

	EPS* (€)	P/E
FY02	-1.55	-
FY03E	4.13	10.65
FY04E	4.78	9.21

* Adjusted for goodwill & exceptionals

This morning, Bekaert published its 1H result. The net consolidated result comes out at €43.7m compared to €50m expected. However, our estimate included a €5m non-operating income (capital gain on Unisolar) while Bekaert posted a €9.5m non-operating loss. At the operating level however (EBIT & equity consolidated results), Bekaert performed very well in the 1H03.

Sales declined by 5.4% to €933m but would have risen by 3.4% at constant currencies. Especially trading in Steel Cord seems to have been very strong (sales up 13% at constant currencies).

The operating result increased from €20.8m to €68.3m or a margin at 7.3%. Before restructuring, the comparable operating result increased from €68.3 to €72.7m (before €4.4m optimisation charges). This means an **operating margin**, before restructuring, of **7.8%**, which is quite impressive for Bekaert and **never seen**. The contribution of the equity consolidated companies increased from €11.8m to €18.0m in the absence of losses at the solar cells and good trading in LatAm.

Outlook: Bekaert says it continues to face difficult macro-economic conditions. The weakening USD puts pressure on demand. Steel cord remains good. There is an analyst meeting later this afternoon. We will be back with an update as soon as possible. Although the stock price already anticipated good results, we do not exclude further strengthening.

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