

13 May 2009

Produced and issued by: ABN AMRO Bank NV*

Bekaert

1Q09 sales slightly better

Buy

Target price

€75.00

Price

€71.00

Short term (0-60 days)

n/a

Sector relative to market

Overweight

Price performance

| | (1M) | (3M) | (12M) |
|----------------|-------|-------|-------|
| Price (€) | 61.00 | 41.83 | 98.33 |
| Absolute (%) | 16.4 | 69.8 | -27.8 |
| Rel market (%) | 6.3 | 57.6 | 14.0 |
| Rel sector (%) | 6.3 | 57.9 | 15.6 |



Market capitalisation

€1.41bn

Average (12M) daily turnover

€6.73m

RIC: BEKB.BR, BEKB BB
 Priced at close of business 12 May 2009.
 Source: Bloomberg

Bekaert's 1Q09 sales were slightly better than expected on a consolidated scale, while the JVs were hampered by currencies. Asia continues to be the growth driver, while EMEA is affected by the economic slowdown. No outlook and we keep our estimates unchanged. Buy.

Key forecasts

| | FY07A | FY08A | FY09F | FY10F | FY11F |
|----------------------------|-------|-------|-------|-------|-------|
| Revenue (€m) | 2173 | 2662 | 2461 | 2424 | 2502 |
| EBITDA (€m) | 300.5 | 418.7 | 332.4 | 320.7 | 327.5 |
| Reported net profit (€m) | 152.9 | 174.1 | 144.0 | 126.1 | 127.4 |
| Normalised net profit (€m) | 152.9 | 174.1 | 144.0 | 126.1 | 127.4 |
| Normalised EPS (€) | 7.58 | 8.79 | 7.17 | 6.28 | 6.34 |
| Dividend per share (€) | 2.76 | 2.80 | 2.87 | 2.95 | 3.04 |
| Dividend yield (%) | 3.89 | 3.94 | 4.04 | 4.16 | 4.29 |
| Normalised PE (x) | 9.37 | 8.07 | 9.90 | 11.3 | 11.2 |
| EV/EBITDA (x) | 9.81 | 6.85 | 8.76 | 8.74 | 8.17 |
| EV/invested capital (x) | 1.05 | 1.03 | 0.98 | 0.95 | 0.92 |
| ROIC - WACC (%) | 6.09 | 10.4 | 4.53 | 3.23 | 3.60 |

Accounting standard: IFRS

Source: Company data, ABN AMRO forecasts

year to Dec, fully diluted

1Q09 sales slightly better

Bekaert's 1Q sales were slightly better than expected. Consolidated sales arrived at €592m (our forecast: €590m), while the JVs contributed €196m (our forecast: €253m). The organic decline was 14.3% (our forecast: -11% prices, -6% volumes). Taking the indicated inventory write-down (from the analyst day in April) of €65m as a starting point, consolidated volumes were only down 3%. Geographically, Bekaert saw weak demand from EMEA (-28%), where Bekaert saw de-stocking and a sharp drop in all end-markets. Latin America (mainly Joint Ventures) showed a 19% decline due to lower volumes (we estimate -6%) and a negative currency impact in Brazil (-14%), while the other activities in Latin America were flat yoy. In North America, sales were up 4% while Asia grew by 20%, which picked up after the Chinese New Year. Net debt position was slightly up to €697m (from €627m at year end), but we expect a net debt/EBITDA ratio of 2.2, excluding JVs, which is not a cause for concern.

End market developments

Bekaert has changed its reporting and will focus more on end-market exposure. In automotive (some 31% of sales), Bekaert saw a relatively good performance in North America and Asia, while EMEA dropped in line with the economy. Construction (23% of sales) was weak given the cold winter. Energy (16% of sales) continued to perform well.

No changes to our estimates

Bekaert repeats its outlook as indicated after 2H that the visibility is limited, but it does not expect a slowdown on company-wide scale. Given that March was already significantly better than January and February, volumes will be significantly better in 2Q. We do not expect to change our estimates and reiterate our Buy recommendation.

Analyst

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Important disclosures can be found in the Disclosures Appendix.

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Income statement

| €m | FY07A | FY08A | FY09F | FY10F | FY11F |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 2173 | 2662 | 2461 | 2424 | 2502 |
| Cost of sales | -1613 | -1935 | -1845 | -1823 | -1886 |
| Operating costs | -259.3 | -307.5 | -284.4 | -280.1 | -289.1 |
| EBITDA | 300.5 | 418.7 | 332.4 | 320.7 | 327.5 |
| DDA & Impairment (ex gw) | -125.9 | -124.5 | -126.0 | -135.4 | -136.2 |
| EBITA | 174.6 | 294.2 | 206.4 | 185.3 | 191.2 |
| Goodwill (amort/impaird) | n/a | n/a | n/a | n/a | n/a |
| EBIT | 174.6 | 294.2 | 206.4 | 185.3 | 191.2 |
| Net interest | -41.0 | -49.2 | -47.9 | -47.9 | -47.9 |
| Associates (pre-tax) | n/a | n/a | n/a | n/a | n/a |
| Other pre-tax items | 0.00 | -83.8 | -20.0 | -20.0 | -20.0 |
| Reported PTP | 133.6 | 161.2 | 138.5 | 117.4 | 123.3 |
| Taxation | -19.1 | -25.5 | -34.6 | -29.3 | -30.8 |
| Minority interests | -8.73 | -17.7 | -8.31 | -7.04 | -7.40 |
| Other post-tax items | 47.1 | 56.1 | 48.4 | 45.1 | 42.3 |
| Reported net profit | 152.9 | 174.1 | 144.0 | 126.1 | 127.4 |
| Tot normalised items | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Normalised EBITDA | 300.5 | 418.7 | 332.4 | 320.7 | 327.5 |
| Normalised PTP | 133.6 | 161.2 | 138.5 | 117.4 | 123.3 |
| Normalised net profit | 152.9 | 174.1 | 144.0 | 126.1 | 127.4 |

Source: Company data, ABN AMRO forecasts

year to Dec

Balance sheet

| €m | FY07A | FY08A | FY09F | FY10F | FY11F |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Cash & market secs (1) | 58.1 | 104.8 | 255.7 | 325.7 | 366.8 |
| Other current assets | 919.0 | 1154 | 1079 | 1065 | 1094 |
| Tangible fixed assets | 917.6 | 1071 | 1145 | 1149 | 1153 |
| Intang assets (incl gw) | 122.0 | 111.5 | 111.5 | 111.5 | 111.5 |
| Oth non-curr assets | 295.9 | 226.6 | 257.2 | 261.7 | 265.9 |
| Total assets | 2313 | 2667 | 2848 | 2913 | 2991 |
| Short term debt (2) | 253.0 | 503.1 | 503.1 | 503.1 | 503.1 |
| Trade & oth current liab | 387.5 | 478.0 | 507.3 | 503.0 | 511.9 |
| Long term debt (3) | 322.5 | 288.1 | 350.0 | 350.0 | 350.0 |
| Oth non-current liab | 203.0 | 225.6 | 225.6 | 225.6 | 225.6 |
| Total liabilities | 1166 | 1495 | 1586 | 1582 | 1591 |
| Total equity (incl min) | 1147 | 1172 | 1262 | 1331 | 1401 |
| Total liab & sh equity | 2313 | 2667 | 2848 | 2913 | 2991 |
| Net debt (2+3-1) | 517.4 | 686.5 | 597.5 | 527.4 | 486.3 |

Source: Company data, ABN AMRO forecasts

year ended Dec

Cash flow statement

| €m | FY07A | FY08A | FY09F | FY10F | FY11F |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| EBITDA | 300.5 | 335.0 | 312.4 | 300.7 | 307.5 |
| Change in working capital | -45.9 | -144.2 | 104.0 | 9.67 | -20.2 |
| Net interest (pd) / rec | -41.0 | -49.2 | -47.9 | -47.9 | -47.9 |
| Taxes paid | -14.5 | -44.5 | -34.6 | -29.3 | -30.8 |
| Other oper cash items | 98.7 | 90.9 | 17.6 | 40.6 | 38.0 |
| Cash flow from ops (1) | 297.8 | 187.9 | 351.4 | 273.8 | 246.6 |
| Capex (2) | -219.3 | -277.5 | -200.0 | -140.0 | -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) | -219.3 | -277.5 | -200.0 | -140.0 | -140.0 |
| Incr / (decr) in equity | -106.1 | -7.70 | 0.00 | 0.00 | 0.00 |
| Incr / (decr) in debt | 83.1 | 215.8 | 61.9 | 0.00 | 0.00 |
| Ordinary dividend paid | -56.6 | -62.4 | -62.4 | -63.7 | -65.4 |
| Preferred dividends (4) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other financing cash flow | 26.3 | -4.96 | 0.00 | 0.00 | 0.00 |
| Cash flow from fin (5) | -53.3 | 140.7 | -0.49 | -63.7 | -65.4 |
| Forex & disc ops (6) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Inc/(decr) cash (1+3+5+6) | 25.2 | 51.1 | 150.9 | 70.0 | 41.2 |
| Equity FCF (1+2+4) | 78.5 | -89.6 | 151.4 | 133.8 | 106.6 |

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

year to Dec

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 13 May 2009)

| | Global total (IB%) | Europe total (IB%) |
|-------------|--------------------|--------------------|
| Buy | 442 (5) | 161 (14) |
| Add | 0 (0) | 0 (0) |
| Hold | 392 (2) | 153 (3) |
| Reduce | 0 (0) | 0 (0) |
| Sell | 185 (1) | 70 (1) |
| Total (IB%) | 1019 (3) | 384 (7) |

Source: ABN AMRO

Trading recommendations (as at 13 May 2009)

| | Global total (IB%) | Europe total (IB%) |
|--------------|--------------------|--------------------|
| Trading Buy | 2 (0) | 0 (0) |
| Trading Sell | 2 (0) | 0 (0) |
| Total (IB%) | 4 (0) | 0 (0) |

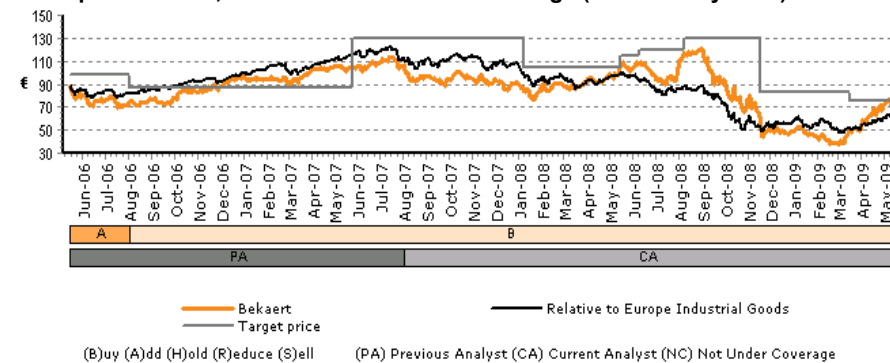
Source: ABN AMRO

Valuation and risks to target price

Bekaert (RIC: BEKB.BR, Rec: Buy, CP: €71.00, TP: €75.00): 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 13 May 2009)



Trading recommendation history

| Date | Rec | Analyst |
|------|-----|---------|
| n/a | n/a | 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

None

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