

### Impressive performance; upgrade to Buy

#### ■ Upgrade to Buy following c50% beat on H108 REBIT

Bekaert reported H108 sales growth of 22% to €1,303m driven by organic growth of 20%. This 20% was equally driven by volume, price and mix effects. REBIT increased by 80% to €62.9m beating consensus by c50%. We increase our 2009 EPS-estimate by 21%, raise our PT from €11 to €30 and upgrade to Buy.

#### ■ Margin increase despite higher steel and energy prices

Bekaert's H108 REBIT-margin increased by 400bps to 12.5% despite sharply higher raw material (steel wire rod) and energy prices. We estimate that a positive inventory effect contributed c100bps to the margin improvement. In China steel cord prices are up 30-40%. The joint-ventures with ArcelorMittal also performed very strongly resulting in income from non-consolidated up 53% to €35.7m.

#### ■ We raise our 2008-2010 EPS-estimates by 44%, 21% and 18%

Following Bekaert's H108 results, we raise our 2008 REBIT estimate by 37% to €88m implying a 30% increase in H208 REBIT following an 80% increase in H108. We also increase our contribution from non-consolidated companies by 61% to €8.3m implying H208 growth of 38% following 53% growth in H108. All in all, we increase our 2008-2010 EPS-estimates by 44%, 21% and 18%.

#### ■ Valuation

Bekaert shares trade on 10.6x 2009E PE and 4.7x 2009E EV/EBITDA. Its closest peers are Xingda (Buy) and Korea Iron & Steel (NC). We raise our PT from €11 to €29, which is derived using our proprietary value creation model (VCAM) using a WACC of 9.2% (see page 3).

Highlights (€m)	12/06	12/07	12/08E	12/09E	12/10E
Revenues	2,010	2,174	2,534	2,631	2,719
EBIT (UBS)	163	186	288	259	255
Net Income (UBS)	154	161	243	207	209
EPS (UBS, €)	7.17	8.08	12.28	10.55	10.62
Net DPS (UBS, €)	3.01	2.52	2.90	2.95	3.01

Profitability & Valuation	5-yr hist av.	12/07	12/08E	12/09E	12/10E
EBIT margin %	-	8.6	11.4	9.8	9.4
ROIC (EBIT) %	-	12.0	16.7	13.8	13.3
EV/EBITDA (core) x	-	6.3	4.5	4.7	4.5
PE (UBS) x	-	12.2	9.1	10.6	10.5
Net dividend yield %	-	2.6	2.6	2.6	2.7

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of €110.64 on 01 Aug 2008 09:35 BST

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Belgium

Industrial, Diversified

12-month rating **Buy**  
Prior: *Neutral*

12m price target €130.00/US\$202.61  
Prior: €111.00/US\$172.99

Price €111.50/US\$173.77

RIC: BEKB.BR BBG: BEKB BB

4 August 2008

#### Trading data (local/US\$)

52-wk range	€111.50-76.54/US\$173.56-110.57
Market cap.	€2.19bn/US\$3.42bn
Shares o/s	19.7m (ORD)
Free float	60%
Avg. daily volume ('000)	76
Avg. daily value (€m)	7.8

#### Balance sheet data 12/08E

Shareholders' equity	€1.29bn
P/BV (UBS)	1.7x
Net Cash (debt)	(€0.60bn)

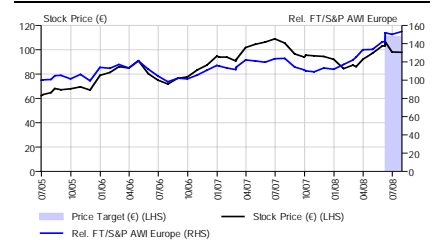
#### Forecast returns

Forecast price appreciation	+16.6%
Forecast dividend yield	2.6%
Forecast stock return	+19.2%
Market return assumption	9.4%
Forecast excess return	+9.8%

#### EPS (UBS, €)

	12/08E		12/07	
	From	To	Cons.	Actual
H1E	4.21	7.27	-	3.69
H2E	4.33	5.51	-	4.29
12/08E	8.54	12.28	-	
12/09E	8.69	10.55	-	

#### Performance (€)



Source: UBS

[www.ubs.com/investmentresearch](http://www.ubs.com/investmentresearch)

Table 1: P&amp;L Bekaert (€m)

	H107	H207	2007	H108	%	H208E	%	2008E	%	2009E	%	2010E	%
Advanced wire products	897	947	1,844	1,138	27	1,078	14	2,216	20	2,326	5	2,419	4
Advanced materials	101	103	204	101	0	99	(4)	200	(2)	193	(4)	186	(4)
Advanced coatings	64	60	124	61	(5)	56	(7)	117	(6)	110	(6)	111	1
Other	3	(1)	2	3	0	(1)	(40)	2	20	2	3	3	6
<b>Total Sales</b>	<b>1,065</b>	<b>1,109</b>	<b>2,174</b>	<b>1,303</b>	<b>22</b>	<b>1,231</b>	<b>11</b>	<b>2,534</b>	<b>17</b>	<b>2,631</b>	<b>4</b>	<b>2,719</b>	<b>3</b>
Advanced wire products	108	107	215	183	69	143	33	326	51	293	(10)	290	(1)
Advanced materials	10	7	17	7	(30)	6	(14)	13	(24)	12	(11)	10	(12)
Advanced coatings	(1)	4	3	4	(500)	3	(25)	7	133	6	(14)	6	(8)
Other	(27)	(22)	(49)	(31)	17	(27)	22	(58)	19	(52)	(10)	(51)	(1)
<b>REBIT</b>	<b>90</b>	<b>96</b>	<b>186</b>	<b>163</b>	<b>80</b>	<b>125</b>	<b>30</b>	<b>288</b>	<b>54</b>	<b>259</b>	<b>(10)</b>	<b>255</b>	<b>-1</b>
Other Costs	(4)	(8)	(12)	(18)	366	(7)	(7)	(25)	113	(20)	(20)	(16)	-20
<b>Operating Income</b>	<b>87</b>	<b>88</b>	<b>175</b>	<b>145</b>	<b>68</b>	<b>117</b>	<b>33</b>	<b>263</b>	<b>50</b>	<b>239</b>	<b>(9)</b>	<b>239</b>	<b>0</b>
Non-Oper Income	0	(9)	(8)	(5)		(5)		(10)		(10)		(10)	
Interest Income	1	1	2	2		(0)		2	(40)	2	(9)	4	153
Interest Expense	(18)	(17)	(35)	(20)		(21)		(40)	(22)	(44)	(0)	(44)	1
<b>Earnings Before Taxes</b>	<b>70</b>	<b>63</b>	<b>133</b>	<b>123</b>		<b>91</b>		<b>214</b>	<b>(1)</b>	<b>186</b>	<b>5</b>	<b>189</b>	<b>1</b>
Income Taxes	(15)	(4)	(19)	(26)		(19)		(45)	(14)	(41)	5	(43)	6
Non-Oper Income	23	24	47	36		33		68		61		65	5
Minority Interest	(6)	(3)	(9)	(7)		(6)		(13)		(11)		(11)	
<b>Net Income</b>	<b>73</b>	<b>80</b>	<b>152</b>	<b>126</b>	<b>73</b>	<b>99</b>	<b>24</b>	<b>225</b>	<b>5</b>	<b>196</b>	<b>5</b>	<b>199</b>	<b>2</b>
Number of Shares Avg	20.2	19.7	19.7	19.7	-3	19.7	0	19.7	0	19.7	0	19.7	0
EPS Reported	3.60	4.15	7.75	6.41	78	5.04	21	11.45	48	9.96	-13	10.11	2
EPS Excl Exc Items	3.74	4.43	8.18	7.12	90	5.34	20	12.46	52	10.67	-14	10.68	0
Dividend PS Gross			2.52					2.90	15	2.99	3	3.03	2

Source: UBS

Table 2: UBS VCAM Analyst Inputs for Bekaert [BEKB.BR]

Company Name:	Bekaert					WACC Used:	9.16%
Ticker:	BEKB.BR					Value Creation Horizon (VCH):	15 years
Market Equity PV [€ m]:	1,958				Current Price [€/sh]:	97.84	
VCAM Equity PV [€ m]:	2,414				VCAM Equity PV [€/sh]:	120.63	
12-mo. VCAM Target [€ m]:	2,598				12-mo. VCAM Target [€/sh]:	129.84	
VCAM Present EV [€ m]:	2,899				Estimated Dividend Yield:	3.0%	
<b>Forecast Stages (yrs):</b>	<b>1-3</b>	<b>4-5</b>	<b>6-10</b>	<b>11-15</b>	<b>16-25</b>	<b>CAGR*</b>	
<b>Key Analyst Inputs</b>							
Sales Growth:	7.7%	3.3%	3.3%	3.3%	[VCH=15]	4.2%	
EBIT Margin:	10.2%	9.1%	8.8%	8.6%	[VCH=15]	na	
Capex/Sales:	8.3%	6.0%	5.5%	5.0%	[VCH=15]	na	
<b>Growth Rates</b>							
EBIT:	-3.4%	2.2%	2.7%	2.9%	[VCH=15]	1.4%	
NOPAT:	-3.1%	1.9%	2.1%	2.7%	[VCH=15]	1.2%	
EPS:	0.7%	9.1%	7.9%	8.5%	[VCH=15]	6.7%	
Invested Capital:	6.7%	5.6%	5.2%	4.6%	[VCH=15]	5.3%	
UNFCF:	[neg]	3.5%	3.0%	3.1%	[VCH=15]	[neg]	
<b>Economic Profitability</b>							
ROIC:	11.0%	10.2%	8.7%	7.9%	[VCH=15]	na	
Economic Profit [€ m]:	43	27	-15	-53	[VCH=15]	[neg]	
<b>Absolute [€ m], except per share amounts</b>							
Sales:	2,809	2,997	3,526	4,147	[VCH=15]	3.3%	
EBIT:	259	271	309	356	[VCH=15]	1.4%	
NOPAT:	260	270	300	343	[VCH=15]	1.2%	
EPS:	12.40	14.75	21.56	32.35	[VCH=15]	6.7%	
UNFCF:	155	166	193	224	[VCH=15]	[neg]	
Capex:	187	177	190	205	[VCH=15]	-1.3%	
Invested Capital:	2,512	2,801	3,601	4,511	[VCH=15]	5.3%	
<b>Multiples</b>	<b>EV/EBIT</b>	<b>EV/EBITDA</b>	<b>EV/NOPAT</b>	<b>EV/UNFCF</b>	<b>P/E</b>	<b>Based on</b>	
Current Market Multiple	6.9x	4.5x	6.9x	29.5x	8.8x	0% of FY07	
VCAM Present Value Multiple	8.9x	5.8x	8.9x	38.3x	10.8x	41% of FY08	
VCAM Target-Implied Multiple	9.6x	6.3x	9.6x	41.2x	11.7x	58% of FY09 0% of FY10	

All financial and economic profitability figures represent the final year in the designated period.

All required inputs for the UBS VCAM have been made.

\*All CAGRs represent current fiscal year to the Value Creation Horizon for the company.

Source: UBS VCAM

# Bekaert

Income statement (€m)	-	-	12/05	12/06	12/07	12/08E	% ch	12/09E	% ch	12/10E	% ch
Revenues	-	-	1,914	2,010	2,174	2,534	16.6	2,631	3.8	2,719	3.3
Operating expenses (ex deprn)	-	-	(1,654)	(1,754)	(1,878)	(2,125)	13.1	(2,239)	5.4	(2,327)	3.9
EBITDA (UBS)	-	-	289	279	310	427	37.4	410	-3.9	410	0.2
Depreciation	-	-	(121)	(116)	(124)	(139)	12.0	(151)	8.8	(156)	3.0
Operating income (EBIT, UBS)	-	-	168	163	186	288	54.4	259	-10.1	255	-1.5
Other income & associates	-	-	69	44	39	58	51.0	51	-11.7	55	6.0
Net interest	-	-	(27)	(25)	(33)	(38)	16.1	(46)	19.5	(42)	-8.2
Abnormal items (pre-tax)	-	-	(32)	(17)	(12)	(25)	113.0	(20)	-20.0	(16)	-20.0
Profit before tax	-	-	178	165	180	283	56.9	244	-13.6	251	2.9
Tax	-	-	(30)	(18)	(19)	(45)	133.6	(40)	-10.7	(43)	6.8
Profit after tax	-	-	147	147	161	238	47.8	204	-14.1	209	2.1
Abnormal items (post-tax)	-	-	54	0	0	0	-	0	-	0	-
Minorities / pref dividends	-	-	(12)	(5)	(9)	(13)	49.0	(11)	-15.8	(11)	0.8
Net income (local GAAP)	-	-	190	142	152	225	47.7	193	-14.0	198	2.2
Net Income (UBS)	-	-	158	154	161	243	51.0	207	-14.5	209	0.7
Tax rate (%)	-	-	17	11	11	16	49.0	16	3.4	17	3.9
Pre-abnormal tax rate (%)	-	-	26	18	16	22	39.4	23	3.9	23	3.4
Per share (€)	-	-	12/05	12/06	12/07	12/08E	% ch	12/09E	% ch	12/10E	% ch
EPS (local GAAP)	-	-	8.78	6.62	7.67	11.40	48.8	9.84	-13.7	10.05	2.2
EPS (UBS)	-	-	7.31	7.17	8.08	12.28	52.0	10.55	-14.1	10.62	0.7
Net DPS	-	-	2.03	3.01	2.52	2.90	15.0	2.95	1.8	3.01	2.2
Cash EPS	-	-	12.91	12.58	14.32	19.31	34.9	18.23	-5.6	18.53	1.6
BVPS	-	-	50.27	49.95	55.24	65.55	18.7	68.72	4.8	75.75	10.2
Balance sheet (€m)	-	-	12/05	12/06	12/07	12/08E	% ch	12/09E	% ch	12/10E	% ch
Net tangible fixed assets	-	-	800	824	918	1,023	11.4	1,062	3.9	1,083	1.9
Net intangible fixed assets	-	-	125	134	122	127	4.3	129	1.5	128	-0.6
Net working capital (incl. other assets)	-	-	662	632	655	776	18.4	805	3.7	798	-0.8
Other liabilities	-	-	(105)	(91)	(82)	(84)	1.9	(83)	-0.4	(82)	-2.1
Operating invested capital	-	-	1,482	1,500	1,613	1,842	14.2	1,912	3.9	1,928	0.8
Investments	-	-	238	238	216	222	3.0	229	3.0	236	3.0
Total capital employed	-	-	1,721	1,737	1,828	2,064	12.9	2,141	3.8	2,164	1.0
Shareholders' equity	-	-	1,079	1,072	1,098	1,289	17.4	1,352	4.8	1,490	10.2
Minority interests	-	-	51	49	48	49	1.3	50	1.1	50	1.1
Total equity	-	-	1,130	1,121	1,147	1,339	16.7	1,401	4.7	1,540	9.9
Net debt / (cash)	-	-	450	480	561	604	7.7	617	2.1	498	-19.3
Debt deemed provisions	-	-	140	136	121	121	0.0	123	2.0	126	2.0
Total capital employed	-	-	1,721	1,737	1,828	2,064	12.9	2,141	3.8	2,164	1.0
Cash flow (€m)	-	-	12/05	12/06	12/07	12/08E	% ch	12/09E	% ch	12/10E	% ch
Operating income (EBIT, UBS)	-	-	168	163	186	288	54.4	259	-10.1	255	-1.5
Depreciation	-	-	121	116	124	139	12.0	151	8.8	156	3.0
Net change in working capital	-	-	(50)	(32)	(42)	(29)	-30.9	6	-	(23)	-
Other (operating)	-	-	(82)	(34)	(13)	(74)	469.0	(8)	-89.2	56	-
Operating cash flow	-	-	157	213	255	323	26.7	408	26.1	443	8.7
Net interest received / (paid)	-	-	(27)	(25)	(33)	(38)	16.1	(46)	19.5	(42)	-8.2
Dividends paid	-	-	(52)	(74)	(57)	(57)	-0.3	(58)	1.8	(59)	2.2
Tax paid	-	-	(26)	(17)	(25)	(45)	79.4	(40)	-10.7	(43)	6.8
Capital expenditure	-	-	(152)	(161)	(200)	(251)	25.8	(205)	-18.4	(198)	-3.3
Net (acquisitions) / disposals	-	-	72	(43)	(11)	0	-	0	-	0	-
Other	-	-	-	81	101	89	-12.7	82	-7.4	92	12.3
Share issues	-	-	(24)	(50)	(108)	(14)	-87.0	0	-	0	-
Cash flow (inc)/dec in net debt	-	-	51	(76)	(76)	7	-	141	2010.1	193	36.9
FX / non cash items	-	-	-	46	(4)	(50)	1059.7	(153)	206.3	(74)	-51.8
Balance sheet (inc)/dec in net debt	-	-	-	(30)	(80)	(43)	-46.1	(12)	-71.4	119	-
Core EBITDA	-	-	289	279	310	427	37.4	410	-3.9	410	0.2
Maintenance capital expenditure	-	-	(80)	(80)	(85)	(90)	5.9	(85)	-5.6	(85)	0.0
Maintenance net working capital	-	-	0	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	-	-	209	199	225	337	49.3	325	-3.5	325	0.2

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating

**Buy**

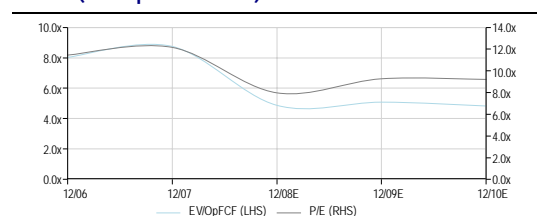
12m price target

€130.00

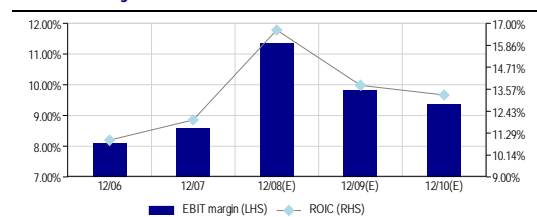
## Company profile

Bekaert is a company built on two core competences: advanced metal transformation, and advanced materials and coatings. Its basic raw material is wire rod, steel wire about the thickness of a finger, which it converts by mechanical deformation and heat treatment into wires that can be as fine as 1/50th the thickness of a human hair. These wires are then turned into cable and cord, woven or knitted into cloth, or processed into ultra-fine filters and fibres, for a wide range of industrial applications in virtually all sectors of the economy.

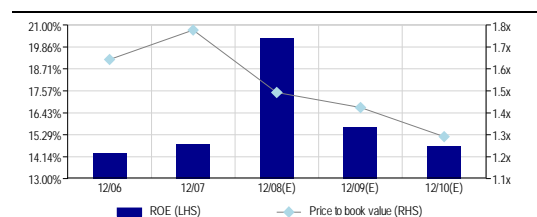
## Value (EV/OpFCF & P/E)



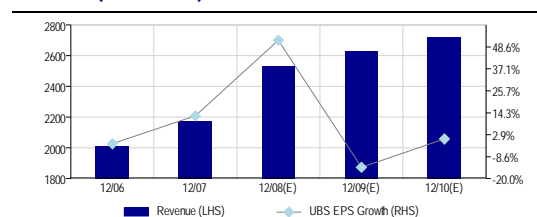
## Profitability



## ROE v Price to book value



## Growth (UBS EPS)



Valuation (x)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
P/E (local GAAP)	-	12.5	13.0	9.9	11.5	11.2
P/E (UBS)	-	11.4	12.2	9.1	10.6	10.5
P/CEPS	-	6.5	6.9	5.8	6.1	6.0
Net dividend yield (%)	-	3.7	2.6	2.6	2.6	2.7
P/BV	-	1.6	1.8	1.7	1.6	1.5
EV/revenue (core)	-	0.8	0.9	0.8	0.7	0.7
EV/EBITDA (core)	-	5.7	6.3	4.5	4.7	4.5
EV/EBIT (core)	-	9.8	10.6	6.6	7.4	7.2
EV/OpFCF (core)	-	8.0	8.7	5.7	5.9	5.6
EV/op. invested capital	-	1.1	1.3	1.1	1.0	1.0

Enterprise value (€m)	12/06	12/07	12/08E	12/09E	12/10E
Average market cap	1,762	2,001	2,179	2,193	2,193
+ minority interests	50	49	49	49	50
+ average net debt (cash)	465	521	583	610	557
+ pension obligations and other	138	128	121	122	124
- non-core asset value	(816)	(730)	(1,024)	(1,055)	(1,087)
Core enterprise value	1,599	1,968	1,907	1,920	1,838

Growth (%)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
Revenue	-	5.0	8.2	16.6	3.8	3.3
EBITDA (UBS)	-	-3.5	11.2	37.4	-3.9	0.2
EBIT (UBS)	-	-3.1	14.5	54.4	-10.1	-1.5
EPS (UBS)	-	-1.9	12.7	52.0	-14.1	0.7
Cash EPS	-	-2.6	13.8	34.9	-5.6	1.6
Net DPS	-	48.4	-16.1	15.0	1.8	2.2
BVPS	-	-0.6	10.6	18.7	4.8	10.2

Margins (%)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
EBITDA / revenue	-	13.9	14.3	16.8	15.6	15.1
EBIT / revenue	-	8.1	8.6	11.4	9.8	9.4
Net profit (UBS) / revenue	-	7.7	7.4	9.6	7.9	7.7

Return on capital (%)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
EBIT ROIC (UBS)	-	10.9	12.0	16.7	13.8	13.3
ROIC post tax	-	9.0	10.1	13.0	10.7	10.2
Net ROE	-	14.3	14.8	20.3	15.7	14.7

Coverage ratios (x)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
EBIT / net interest	-	8.5	7.1	9.3	7.0	7.6
Dividend cover (UBS EPS)	-	2.4	3.2	4.2	3.6	3.5
Div. payout ratio (% UBS EPS)	-	41.9	31.2	23.6	28.0	28.4
Net debt / EBITDA	-	1.7	1.8	1.4	1.5	1.2

Efficiency ratios (x)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
Revenue / op. invested capital	-	1.3	1.4	1.5	1.4	1.4
Revenue / fixed assets	-	2.1	2.2	2.3	2.2	2.3
Revenue / net working capital	-	3.6	3.9	4.0	3.7	3.8

Investment ratios (x)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
OpFCF / EBIT	-	1.2	1.2	1.2	1.3	1.3
Capex / revenue (%)	-	8.0	9.2	9.9	7.8	7.3
Capex / depreciation	-	1.4	1.6	1.8	1.4	1.3

Capital structure (%)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
Net debt / total equity	-	44.8	51.1	46.9	45.6	33.4
Net debt / (net debt + equity)	-	30.9	33.8	31.9	31.3	25.0
Net debt (core) / EV	-	29.1	26.4	30.5	31.8	30.3

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items.

Valuations: based on an average share price that year, (E): based on a share price of €110.64 on 01 Aug 2008 09:35 BST Market cap(E) may include forecast share issues/buybacks.

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## ■ Bekaert

Bekaert is a company built on two core competences: advanced metal transformation, and advanced materials and coatings. Its basic raw material is wire rod, steel wire about the thickness of a finger, which it converts by mechanical deformation and heat treatment into wires that can be as fine as 1/50th the thickness of a human hair. These wires are then turned into cable and cord, woven or knitted into cloth, or processed into ultra-fine filters and fibres, for a wide range of industrial applications in virtually all sectors of the economy.

## ■ Statement of Risk

Bekaert's operations are not immune to the economic cycle as its products are used in the automotive sector and construction sector amongst others. Bekaert has suppliers and customers with quite some pricing power. Bekaert's main raw material is wire rod and as such it is exposed to movements in the steel price. The market for tire steel cord in China, an important market for Bekaert, is very competitive. As a truly global company Bekaert is exposed to movements in foreign currencies, notably the \$, renminbi and Slovakian koruna although most of the effect is translational. Finally, Bekaert faces the risk of insourcing by customers, notably in the tyre industry.

## ■ Analyst Certification

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### UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage <sup>1</sup>	IB Services <sup>2</sup>
Buy	Buy	57%	38%
Neutral	Hold/Neutral	36%	35%
Sell	Sell	8%	29%
UBS Short-Term Rating	Rating Category	Coverage <sup>3</sup>	IB Services <sup>4</sup>
Buy	Buy	less than 1%	31%
Sell	Sell	less than 1%	38%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 June 2008.

### UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

## KEY DEFINITIONS

**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

**Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

**Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

**Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

## EXCEPTIONS AND SPECIAL CASES

### UK and European Investment Fund ratings and definitions are :

Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.

**Core Banding Exceptions (CBE)** : Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

## Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Bekaert	BEKB.BR	Neutral	N/A	€97.84	31 Jul 2008
Xingda International Holdings <sup>16</sup>	1899.HK	Buy	N/A	HK\$1.37	01 Aug 2008

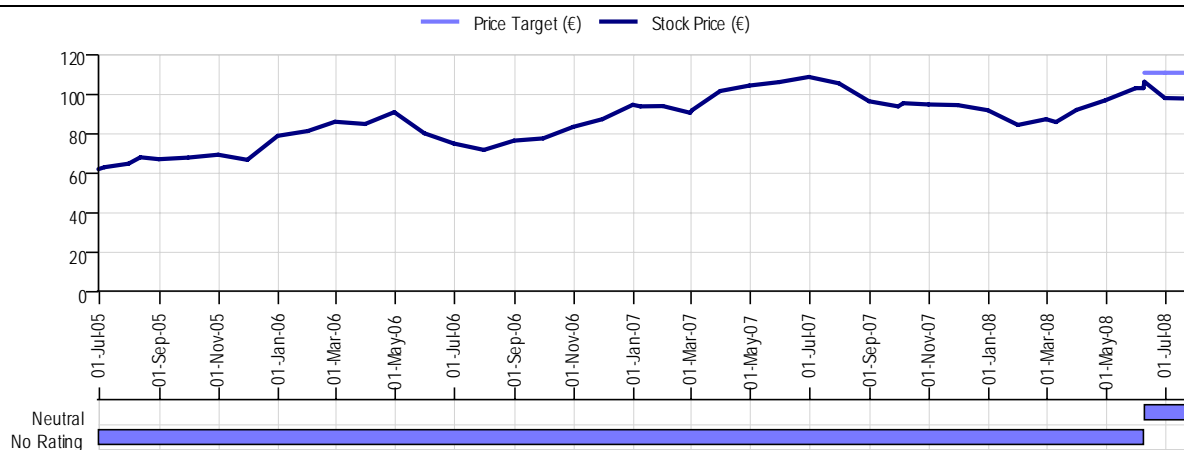
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

16. UBS Securities (Hong Kong) Limited is a market maker in the HK-listed securities of this company.

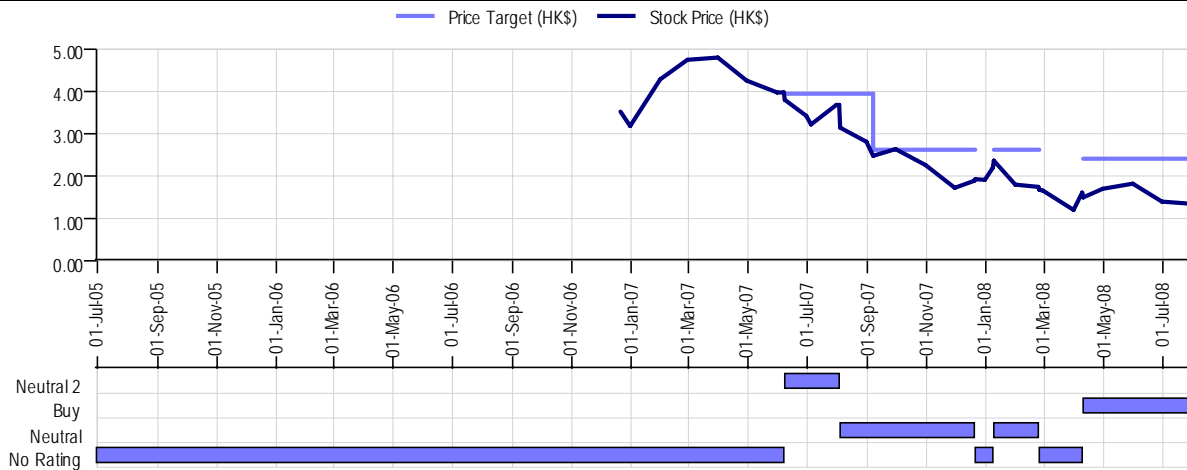
Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

## Bekaert (€)



Source: UBS; as of 31 Jul 2008

Xingda International Holdings (HK\$)



Source: UBS; as of 01 Aug 2008

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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