

### PT cut ahead of FY08E trading update

#### ■ FY08E sales on 20 February

Bekaert will release FY08E results in two stages, with sales figures in a trading update on 20 February, followed by earnings on 13 March. We project a 22% sales increase to €2,643m (consensus €2,588m) for FY08E, driven by organic growth of 19%, acquisition effects of 6%, partly offset by negative currency factors of 3%.

#### ■ Q4 sales impacted by economy and raw material prices

After 28.8% sales growth in 9m 08, driven by organic growth of 24.7% largely reflecting passed on higher raw material costs (with steel prices around 50% higher), Bekaert indicated Q4 sales would be flat due to the impact of the economic downturn and the effect of decreasing raw material prices for certain steel qualities (flat compared to Q4 last year).

#### ■ FY08E results on 13 March

For FY08E, we now project a 48% increase in normalised EPS to €1.18 (vs. consensus €1.48), assuming a 60bps lower margin at 8.3% in H2 08 (vs. +434bps in H1). For FY09E, we project a 30% drop in EPS to €7.68 (vs. consensus €7.81), based on a 15% organic sales decline (reflecting lower steel prices) and a 220bps lower margin at 11.0% in advanced wire products (vs. 10.0% in last downturn).

#### ■ Valuation: Neutral rating with €50 price target

Bekaert shares look fairly valued and we set our price target at €50 (previously €70) at a 10% discount to our DCF valuation, assuming a long-term EBIT margin of 8.2% (previously 9.2%), 9.5% WACC and 0.0% continuing growth. At price target, Bekaert would trade in line with Benelux mid & small caps at 6.5x PE 09E.

Highlights (€m)	12/06	12/07	12/08E	12/09E	12/10E
Revenues	2,009.6	2,173.6	2,643.2	2,405.5	2,468.3
EBIT (UBS)	162.7	186.3	274.8	194.4	201.7
Net Income (UBS)	147.3	151.2	220.2	151.0	158.7
EPS (UBS, €)	6.81	7.54	11.18	7.68	8.07
Net DPS (UBS, €)	2.50	2.76	2.80	1.92	2.02

Profitability & Valuation	5-yr hist av.	12/07	12/08E	12/09E	12/10E
EBIT margin %	-	8.6	10.4	8.1	8.2
ROIC (EBIT) %	-	11.4	15.3	10.0	9.9
EV/EBITDA (core) x	-	8.4	4.0	4.7	4.4
PE (UBS) x	-	13.0	4.2	6.1	5.8
Net dividend yield %	-	2.8	6.0	4.1	4.3

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 €46.48 on 28 Jan 2009 21:37 EST

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## Global Equity Research

Belgium

Industrial, Diversified

12-month rating **Neutral**  
**Unchanged**

12m price target €50.00/US\$65.84  
Prior: €70.00/US\$92.18

Price €46.48/US\$61.20

RIC: BEKB.BR BBG: BEKB BB

30 January 2009

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

52-wk range	€120.32-44.47/US\$178.23-55.67
Market cap.	€0.91bn/US\$1.20bn
Shares o/s	19.7m (ORD)
Free float	60%
Avg. daily volume ('000)	89
Avg. daily value (€m)	4.9

#### Balance sheet data 12/08E

Shareholders' equity	€1.26bn
P/BV (UBS)	0.7x
Net Cash (debt)	(€0.65bn)

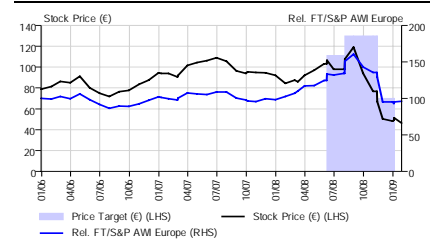
#### Forecast returns

Forecast price appreciation	+7.6%
Forecast dividend yield	4.1%
Forecast stock return	+11.7%
Market return assumption	6.5%
Forecast excess return	+5.2%

#### EPS (UBS, €)

	12/08E		Cons.	12/07
	From	To		Actual
H1	6.46	6.59	-	3.73
H2E	5.44	4.59	-	3.94
12/08E	11.85	11.18	-	
12/09E	7.65	7.68	-	

#### Performance (€)



Source: UBS

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Table 1: Bekaert forecasts (€ m)

	07H1	07H2	FY07	08H1	% chg	08H2E	% chg	FY08E	% chg
Advanced Wire Products	897	947	1,844	1,138	27	1,183	25	2,321	26
Advanced Materials	101	103	204	101	0	90	-12	191	-6
Advanced Coatings	64	60	124	61	-5	67	11	128	3
Intercompany	3	-1	2	3		0		3	
<b>Total sales</b>	<b>1,065</b>	<b>1,109</b>	<b>2,174</b>	<b>1,303</b>	<b>22</b>	<b>1,340</b>	<b>21</b>	<b>2,643</b>	<b>22</b>
Advanced Wire Products	108	107	215	183	69	122	14	305	42
<i>margin %</i>	<i>12.0</i>	<i>11.3</i>	<i>11.7</i>	<i>16.1</i>		<i>10.3</i>		<i>13.2</i>	
Advanced Materials	10	7	17	4		4		8	
<i>margin %</i>	<i>9.9</i>	<i>7.1</i>	<i>8.5</i>	<i>4.0</i>		<i>4.1</i>		<i>6.0</i>	
Advanced Coatings	-1	4	3	4		6		10	
<i>margin %</i>	<i>-1.6</i>	<i>6.7</i>	<i>2.5</i>	<i>6.6</i>		<i>8.7</i>		<i>0.4</i>	
Unallocated	-30	-19	-49	-28		-20		-48	
<b>EBITAE</b>	<b>87</b>	<b>99</b>	<b>186</b>	<b>163</b>	<b>87</b>	<b>112</b>	<b>13</b>	<b>275</b>	<b>47</b>
<i>margin %</i>	<i>8.2</i>	<i>9.0</i>	<i>8.6</i>	<i>12.5</i>		<i>8.3</i>		<i>10.4</i>	
Exceptional items	-4	-8	-12	-18		0		-18	
Amortisation of goodwill	0	-3	-3	0		-3		-3	
<b>EBIT</b>	<b>86</b>	<b>88</b>	<b>175</b>	<b>145</b>	<b>68</b>	<b>112</b>	<b>27</b>	<b>257</b>	<b>47</b>
Net interest	-16	-25	-41	-22		-18		-40	
Tax	-15	-4	-19	-26		-21		-47	
<i>tax rate</i>	<i>21.4</i>	<i>6.5</i>	<i>14.3</i>	<i>20.7</i>		<i>22.7</i>		<i>21.6</i>	
Non-consolidated income	23	24	47	36		24		59	
Minority items	-6	-3	-9	-7		-3		-10	
<b>Net profit</b>	<b>73</b>	<b>80</b>	<b>153</b>	<b>126</b>	<b>74</b>	<b>93</b>	<b>16</b>	<b>219</b>	<b>44</b>
<b>Net profit (normalised)</b>	<b>71</b>	<b>80</b>	<b>151</b>	<b>130</b>	<b>83</b>	<b>90</b>	<b>12</b>	<b>220</b>	<b>46</b>
EPS	3.60	4.03	7.63	6.41	78	4.74	18	11.14	46
<b>EPS (normalised)</b>	<b>3.50</b>	<b>4.04</b>	<b>7.54</b>	<b>6.59</b>	<b>88</b>	<b>4.59</b>	<b>14</b>	<b>11.18</b>	<b>48</b>
Number of shares (avg)	20.2	21.6	20.0	19.7		19.7		19.7	

Source: UBS estimates

Income statement (€m)	-	-	12/05	12/06	12/07	12/08E	% ch	12/09E	% ch	12/10E	% ch
Revenues	-	-	1,914.3	2,009.6	2,173.6	2,643.2	21.6	2,405.5	-9.0	2,468.3	2.6
Operating expenses (ex depn)	-	-	(1,639.0)	(1,736.9)	(1,867.6)	(2,243.2)	20.1	(2,073.6)	-7.6	(2,117.5)	2.1
EBITDA (UBS)	-	-	275.3	272.7	306.0	400.0	30.7	331.9	-17.0	350.8	5.7
Depreciation	-	-	(107.4)	(110.0)	(119.7)	(125.2)	4.6	(137.5)	9.8	(149.1)	8.4
Operating income (EBIT, UBS)	-	-	167.9	162.7	186.3	274.8	47.5	194.4	-29.3	201.7	3.8
Other income & associates	-	-	56.9	51.0	47.1	59.4	26.2	47.6	-20.0	49.9	5.0
Net interest	-	-	(15.3)	(31.0)	(41.0)	(40.4)	-1.5	(41.0)	1.5	(40.2)	-1.8
Abnormal items (pre-tax)	-	-	(31.6)	(16.8)	(11.7)	(17.6)	49.5	(15.0)	-14.5	(15.0)	0.0
Profit before tax	-	-	177.9	165.9	180.7	276.3	52.9	186.0	-32.7	196.4	5.6
Tax	-	-	(30.3)	(18.4)	(19.1)	(46.8)	145.0	(34.9)	-25.5	(39.9)	14.6
Profit after tax	-	-	147.7	147.6	161.6	229.6	42.0	151.1	-34.2	156.4	3.5
Abnormal items (post-tax)	-	-	54.2	0.0	0.0	0.0	-	0.0	-	0.0	-
Minorities / pref dividends	-	-	(12.0)	(4.8)	(8.7)	(10.1)	15.5	(10.6)	5.0	(11.1)	5.0
Net income (local GAAP)	-	-	189.9	142.8	152.9	219.5	43.5	140.5	-36.0	145.3	3.4
Net Income (UBS)	-	-	148.3	147.3	151.2	220.2	45.7	151.0	-31.4	158.7	5.1
Tax rate (%)	-	-	17.0	11.1	10.6	16.9	60.2	18.7	10.7	20.3	8.5
Pre-abnormal tax rate (%)	-	-	32.3	23.2	22.4	27.1	21.2	25.7	-5.4	25.8	0.5
Per share (€)	-	-	12/05	12/06	12/07	12/08E	% ch	12/09E	% ch	12/10E	% ch
EPS (local GAAP)	-	-	8.78	6.60	7.63	11.14	47.0	7.14	-35.9	7.39	3.4
EPS (UBS)	-	-	6.86	6.81	7.54	11.18	48.2	7.68	-31.3	8.07	5.1
Net DPS	-	-	3.00	2.50	2.76	2.80	1.3	1.92	-31.3	2.02	5.1
Cash EPS	-	-	11.82	11.89	13.52	17.54	29.8	14.67	-16.4	15.64	6.7
BVPS	-	-	50.28	49.39	55.25	63.88	15.6	69.24	8.4	74.67	7.8
Balance sheet (€m)	-	-	12/05	12/06	12/07	12/08E	% ch	12/09E	% ch	12/10E	% ch
Net tangible fixed assets	-	-	800.1	824.4	917.7	1,042.5	13.6	1,145.5	9.9	1,218.6	6.4
Net intangible fixed assets	-	-	125.4	134.5	122.0	122.0	0.0	122.0	0.0	122.0	0.0
Net working capital (incl. other assets)	-	-	755.3	660.3	682.3	771.3	13.0	755.7	-2.0	772.0	2.1
Other liabilities	-	-	(44.6)	(40.0)	(37.6)	(37.6)	0.0	(37.6)	0.0	(37.6)	0.0
Operating invested capital	-	-	1,636.2	1,579.2	1,684.5	1,898.2	12.7	1,985.7	4.6	2,075.0	4.5
Investments	-	-	238.4	237.7	215.6	236.4	9.7	253.0	7.0	270.5	6.9
Total capital employed	-	-	1,874.6	1,816.9	1,900.0	2,134.6	12.3	2,238.7	4.9	2,345.5	4.8
Shareholders' equity	-	-	1,079.5	1,060.4	1,098.3	1,257.9	14.5	1,362.0	8.3	1,468.8	7.8
Minority interests	-	-	51.1	48.9	48.4	48.4	0.0	48.4	0.0	48.4	0.0
Total equity	-	-	1,130.6	1,109.3	1,146.7	1,306.3	13.9	1,410.4	8.0	1,517.2	7.6
Net debt / (cash)	-	-	533.9	492.3	575.4	650.4	13.0	650.4	0.0	650.4	0.0
Debt deemed provisions	-	-	210.1	215.3	177.9	177.9	0.0	177.9	0.0	177.9	0.0
Total capital employed	-	-	1,874.6	1,816.9	1,900.0	2,134.6	12.3	2,238.7	4.9	2,345.5	4.8
Cash flow (€m)	-	-	12/05	12/06	12/07	12/08E	% ch	12/09E	% ch	12/10E	% ch
Operating income (EBIT, UBS)	-	-	167.9	162.7	186.3	274.8	47.5	194.4	-29.3	201.7	3.8
Depreciation	-	-	107.4	110.0	119.7	125.2	4.6	137.5	9.8	149.1	8.4
Net change in working capital	-	-	(32.3)	(31.9)	(41.9)	(127.8)	204.7	64.7	-	(17.1)	-
Other (operating)	-	-	41.6	41.3	36.8	3.3	-91.2	1.6	-49.4	2.5	50.6
Operating cash flow	-	-	284.7	282.1	300.9	275.5	-8.4	398.2	44.5	336.2	-15.6
Net interest received / (paid)	-	-	(15.3)	(31.0)	(41.0)	(40.4)	-1.5	(41.0)	1.5	(40.2)	-1.8
Dividends paid	-	-	(52.2)	(74.1)	(57.2)	(55.0)	-3.9	(37.8)	-31.3	(39.7)	5.1
Tax paid	-	-	(30.3)	(18.4)	(19.1)	(46.8)	145.0	(34.9)	-25.5	(39.9)	14.6
Capital expenditure	-	-	(151.6)	(161.3)	(199.8)	(250.0)	25.1	(240.5)	-3.8	(222.1)	-7.7
Net (acquisitions) / disposals	-	-	71.8	(31.3)	(6.8)	0.0	-	0.0	-	0.0	-
Other	-	-	-	35.0	(84.3)	31.8	-	22.0	-30.9	23.8	8.4
Share issues	-	-	11.1	2.2	3.4	0.0	-	0.0	-	0.0	-
Cash flow (inc)/dec in net debt	-	-	150.6	3.1	(103.9)	(84.8)	-18.4	66.1	-	18.0	-72.8
FX / non cash items	-	-	-	38.5	20.8	9.8	-52.8	(66.1)	-	(18.0)	-72.8
Balance sheet (inc)/dec in net debt	-	-	-	41.6	(83.1)	(75.0)	-9.8	0.0	-	0.0	-
Core EBITDA	-	-	275.3	272.7	306.0	400.0	30.7	331.9	-17.0	350.8	5.7
Maintenance capital expenditure	-	-	(79.9)	(192.6)	(206.6)	(250.0)	21.0	(240.5)	-3.8	(222.1)	-7.7
Maintenance net working capital	-	-	679.6	551.1	602.0	691.0	14.8	675.4	-2.3	691.7	2.4
Operating free cash flow, pre-tax	-	-	875.1	631.2	701.4	841.1	19.9	766.8	-8.8	820.3	7.0

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.

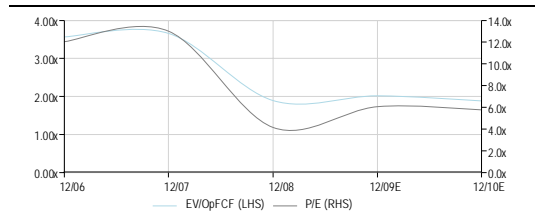
12-month rating **Neutral**

12m price target **€50.00**

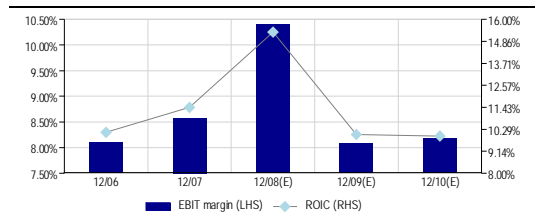
**Company profile**

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.

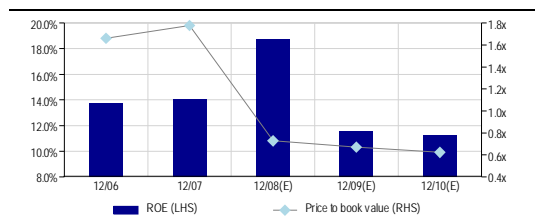
**Value (EV/OpFCF & P/E)**



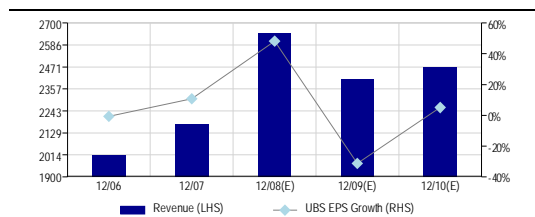
**Profitability**



**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	4.2	6.5	6.3
P/E (UBS)	-	12.1	13.0	4.2	6.1	5.8
P/CEPS	-	6.9	7.3	2.6	3.2	3.0
Net dividend yield (%)	-	3.0	2.8	6.0	4.1	4.3
P/BV	-	1.7	1.8	0.7	0.7	0.6
EV/revenue (core)	-	1.1	1.2	0.6	0.6	0.6
EV/EBITDA (core)	-	8.3	8.4	4.0	4.7	4.4
EV/EBIT (core)	-	13.8	13.8	5.8	7.9	7.7
EV/OpFCF (core)	-	3.6	3.7	1.9	2.0	1.9
EV/op. invested capital	-	1.4	1.6	0.9	0.8	0.8

Enterprise value (€m)	12/06	12/07	12/08E	12/09E	12/10E
Average market cap	1,762.2	2,001.0	914.3	914.3	914.3
+ minority interests	48.9	48.4	48.4	48.4	48.4
+ average net debt (cash)	440.2	517.4	631.2	582.1	582.9
+ pension obligations and other	0.1	0.1	0.1	0.1	0.1
- non-core asset value	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Core enterprise value	2,251.2	2,566.8	1,593.9	1,544.7	1,545.6

Growth (%)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
Revenue	-	5.0	8.2	21.6	-9.0	2.6
EBITDA (UBS)	-	-0.9	12.2	30.7	-17.0	5.7
EBIT (UBS)	-	-3.1	14.5	47.5	-29.3	3.8
EPS (UBS)	-	-0.7	10.8	48.2	-31.3	5.1
Cash EPS	-	0.6	13.6	29.8	-16.4	6.7
Net DPS	-	-16.7	10.4	1.3	-31.3	5.1
BVPS	-	-1.8	11.9	15.6	8.4	7.8

Margins (%)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
EBITDA / revenue	-	13.6	14.1	15.1	13.8	14.2
EBIT / revenue	-	8.1	8.6	10.4	8.1	8.2
Net profit (UBS) / revenue	-	7.3	7.0	8.3	6.3	6.4

Return on capital (%)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
EBIT ROIC (UBS)	-	10.1	11.4	15.3	10.0	9.9
ROIC post tax	-	7.8	8.9	11.2	7.4	7.4
Net ROE	-	13.8	14.0	18.7	11.5	11.2

Coverage ratios (x)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
EBIT / net interest	-	6.9	5.7	8.3	5.9	6.3
Dividend cover (UBS EPS)	-	2.7	2.7	4.0	4.0	4.0
Div. payout ratio (% , UBS EPS)	-	36.7	36.6	25.0	25.0	25.0
Net debt / EBITDA	-	1.8	1.9	1.6	2.0	1.9

Efficiency ratios (x)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
Revenue / op. invested capital	-	1.2	1.3	1.5	1.2	1.2
Revenue / fixed assets	-	2.1	2.2	2.4	2.0	1.9
Revenue / net working capital	-	3.3	3.8	4.1	3.5	3.6

Investment ratios (x)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
OpFCF / EBIT	-	3.9	3.8	3.1	3.9	4.1
Capex / revenue (%)	-	8.0	9.2	9.5	10.0	9.0
Capex / depreciation	-	1.5	1.7	2.0	1.7	1.5

Capital structure (%)	5Yr Avg	12/06	12/07	12/08E	12/09E	12/10E
Net debt / total equity	-	46.4	52.4	51.7	47.8	44.3
Net debt / (net debt + equity)	-	31.7	34.4	34.1	32.3	30.7
Net debt (core) / EV	-	19.6	20.2	39.6	37.7	37.7

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 €46.48 on 28 Jan 2009 21:37 EST 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	53%	36%
Neutral	Hold/Neutral	36%	34%
Sell	Sell	10%	20%
UBS Short-Term Rating	Rating Category	Coverage <sup>3</sup>	IB Services <sup>4</sup>
Buy	Buy	less than 1%	43%
Sell	Sell	less than 1%	22%

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 31 December 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).

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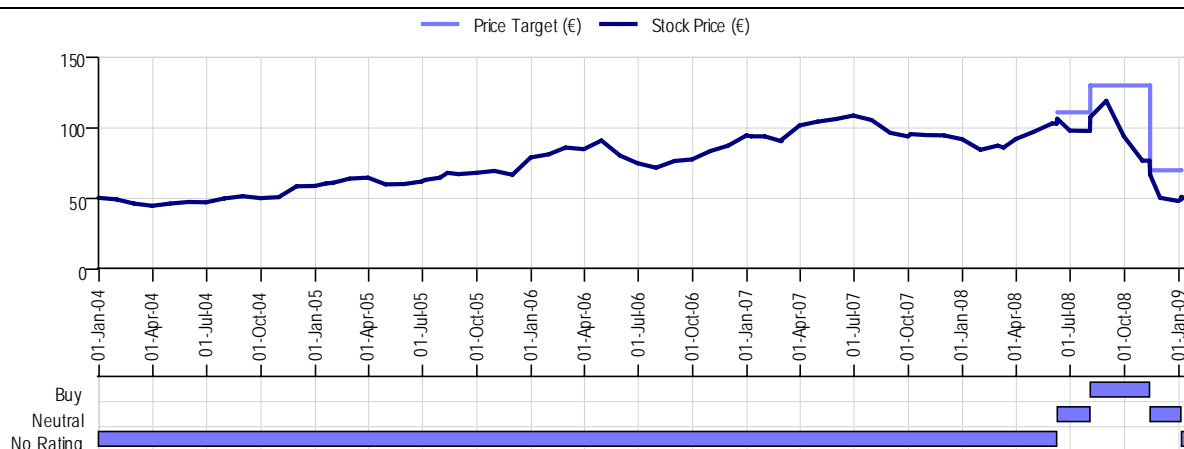
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Bekaert	BEKB.BR	Suspended	N/A	€46.48	28 Jan 2009

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

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

## Bekaert (€)



Source: UBS; as of 28 Jan 2009



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