

### Q4 sales up 5% ahead of expectations

#### ■ Q4 sales better than expected despite challenging market conditions

FY08 sales increased 22.5% to €2,663m (1% ahead of UBS's €2,643m, consensus €2,624m), driven by organic growth of 17.7% (largely attributable to raw material price inflation), acquisition effects of 5.8%, partly offset by negative currency factors of 1.0%. Q4 08 sales increased 5%, despite challenging conditions (vs. guidance flat sales), and compared to 28.8% growth in first nine months, which was largely driven by raw material price inflation.

#### ■ Limited short-term visibility on market developments

Bekaert said demand was weaker in Q4 in most of its activities, with customers destocking. Bekaert does not expect the current activity slowdown to last on a company wide-scale, but said that short-term visibility on market developments is limited. Bekaert will focus on optimising cost and working capital levels.

#### ■ Next catalyst - FY08E results on 13 March

For FY08E, we are projecting a 48% increase in normalised EPS to €1.18 (vs. consensus €1.09), 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 €1.68 (vs. consensus €1.24), 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

Our €50 price target is at a 10% discount to our DCF valuation, assuming a long-term EBIT margin of 8.2%, 9.5% WACC and 0.0% continuing growth. At price target, Bekaert would trade in line with Benelux mid & small caps at 6.2x 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	3.6	4.2	4.0
PE (UBS) x	-	13.0	3.5	5.1	4.8
Net dividend yield %	-	2.8	7.2	4.9	5.2

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 €38.94 on 19 Feb 2009 21:38 GMT

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## Global Equity Research

Belgium

Industrial, Diversified

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

12m price target €50.00/US\$63.43  
**Unchanged**

Price €38.94/US\$49.40

RIC: BEKB.BR BBG: BEKB BB

20 February 2009

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

52-wk range	€120.32-38.08/US\$178.23-47.80
Market cap.	€0.77bn/US\$0.97bn
Shares o/s	19.7m (ORD)
Free float	60%
Avg. daily volume ('000)	83
Avg. daily value (€m)	3.9

#### Balance sheet data 12/08E

Shareholders' equity	€1.26bn
P/BV (UBS)	0.6x
Net Cash (debt)	(€0.65bn)

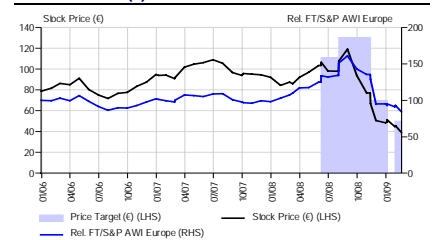
#### Forecast returns

Forecast price appreciation	+28.4%
Forecast dividend yield	4.9%
Forecast stock return	+33.3%
Market return assumption	6.5%
Forecast excess return	+26.8%

#### EPS (UBS, €)

	12/08E		12/07
	UBS	Cons.	Actual
H1	6.59	-	3.73
H2E	4.59	-	3.94
12/08E	11.18	-	-
12/09E	7.68	-	-

#### Performance (€)



Source: UBS

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 4.

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# Bekaert

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**

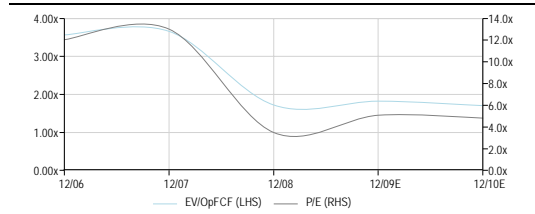
12m price target

€50.00

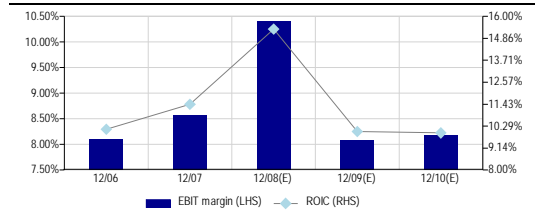
**Company profile**

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.

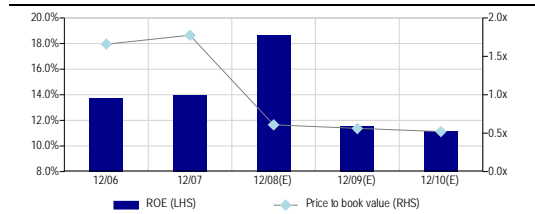
**Value (EV/OpFCF & P/E)**



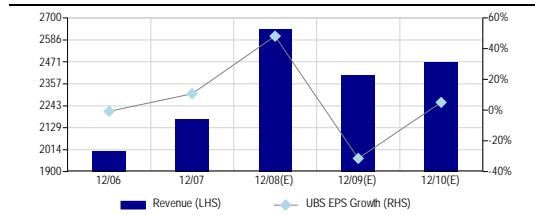
**Profitability**



**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	3.5	5.4	5.3
P/E (UBS)	-	12.1	13.0	3.5	5.1	4.8
P/CEPS	-	6.9	7.3	2.2	2.7	2.5
Net dividend yield (%)	-	3.0	2.8	7.2	4.9	5.2
P/BV	-	1.7	1.8	0.6	0.6	0.5
EV/revenue (core)	-	1.1	1.2	0.5	0.6	0.6
EV/EBITDA (core)	-	8.3	8.4	3.6	4.2	4.0
EV/EBIT (core)	-	13.8	13.8	5.3	7.2	6.9
EV/OpFCF (core)	-	3.6	3.7	1.7	1.8	1.7
EV/op. invested capital	-	1.4	1.6	0.8	0.7	0.7

Enterprise value (€m)	12/06	12/07	12/08E	12/09E	12/10E
Average market cap	1,762.2	2,001.0	765.9	765.9	765.9
+ 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	1,445.4	1,396.3	1,397.2

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	43.7	41.7	41.7

Source: Company accounts, 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 €38.94 on 19 Feb 2009 21:38 GMT Market cap(E) may include forecast share issues/buybacks.

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## ■ 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).

**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.

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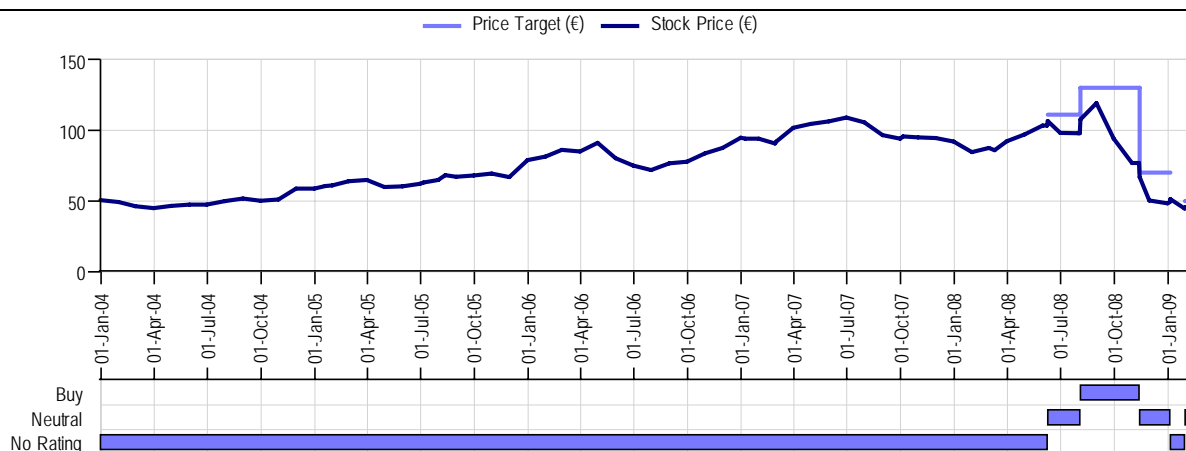
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Bekaert	BEKB.BR	Neutral	N/A	€38.94	19 Feb 2009

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

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**Bekaert (€)**



Source: UBS; as of 19 Feb 2009



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