Bekaert

Indy - Industrial, Diversified / Belgium

Target Price EUR 60.00

Expected performance (12 mth) 9.6%

HOLD EUR 54.75 (Closing price 24-Jun-11)

Adjusting to new sawing wire reality - downgrade to HOLD

27 June 2011

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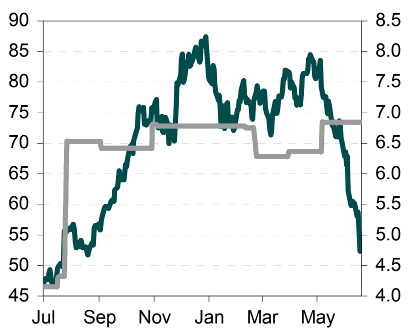
Opinion on qualitative criteria

Accounting	IFRS 01/01/2004
Quality of track record	High
Solvency	High
Currency risk	High
Risk of asset write-off	Neutral

Share price performance/EPS revision (EUR)

Price — ABN AMRO EPS est. 2011



Source: FactSet, ABN Amro Equity Research

Market capitalisation (EUR m)	3,278.7
No. of shares (m)	59.9
Free float	62.0%
1/3/12 mth perf. (%)	(25.6)/(27.8)/17.2
High/low 52 weeks (EUR)	87.43/44.42
Next results due	
Price/book value (x)	1.8
Volatility (ß) (5yrs/)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB BB
Website	www.bekaert.com

Adjusting forecasts to changing realities in sawing wire

We foresee a phase in which Bekaert's sawing wire business in China (46% of EBIT) will have to adapt to the new reality of increased competition and temporary overcapacity in the PV market. This will be accompanied by pressure on prices for sawing wire, which can be substantial if the price level of tyre cord provides any indication of the downside. Feeding straight into the pre-tax profit line, we estimate that every 10% decline in the ASP of sawing wire impacts in Bekaert's EPS by 9%. Adjusting for the new realities in sawing wire, we have downgraded Bekaert's EPS forecasts by 97c (14%) to EUR 5.87 for 2011, by 189c (26%) to EUR 5.44 for 2012 and by 160c (21%) to EUR 5.96 for 2013. We thus expect EPS to grow again only from 2013 onwards.

Rating downgraded to HOLD, as market expected to wait-and-see

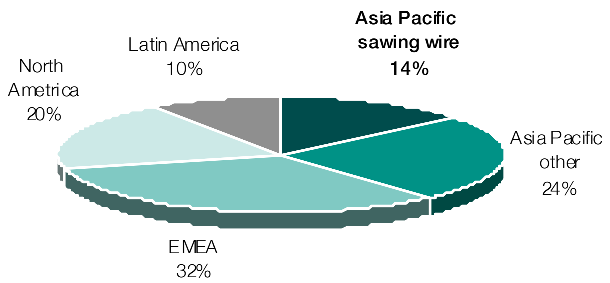
Bekaert's valuation seems attractive at 10.1x P/E 2012 and the upside to a returns-based valuation of EUR 72. We stress 'seems', as it needs to be said that the forecasts underlying the valuation are surrounded by significant uncertainty. Despite the seemingly attractive valuation, we have downgraded our recommendation from BUY to HOLD, as we expect the market to adopt a wait-and-see mode during the sawing wire correction phase. As this phase may last until 2012, it could overshadow the otherwise ongoing attractions of the investment case, such as the emerging markets footprint, high CAPEX in capacity expansion (India), focus on R&D, sound balance sheet (0.6x net debt/EBITDA end 2011) and strong management. We have set our target price at EUR 60 for the time being.

Year to December	2009	2010	2011e	2012e	2013e
Sales (EUR m)	2,437.3	3,262.5	3,611.5	3,763.6	4,021.4
EBITDA (EUR m)	385.7	725.3	708.8	660.5	687.3
Net profit excl. extr. & amort. (EUR m)	165.4	385.7	351.8	325.5	357.1
Net profit (EUR m)	151.8	367.6	351.8	325.5	357.1
EBITDA margin (%)	15.8	22.2	19.6	17.5	17.1
ROCE (incl. goodwill) (%)	9.9	18.6	15.1	12.8	13.2
Net gearing (%)	36.9	35.9	27.5	14.2	5.3
EPS before extr. & amort. (EUR)	2.79	6.51	5.87	5.44	5.96
EPS (EUR)	2.56	6.21	5.87	5.44	5.96
DPS (EUR)	0.98	1.67	1.76	1.90	2.09
% change sales	(8.5)	33.9	10.7	4.2	6.9
% change EPS (excl. extr. & amort.)	(21.3)	133.0	(9.8)	(7.5)	9.7
EV/Sales	0.95	1.59	0.91	0.82	0.73
EV/EBITDA	6.0	7.1	4.6	4.6	4.2
P/E (excl. extr. & amort.)	9.0	8.2	9.3	10.1	9.2
P/E	9.8	8.7	9.3	10.1	9.2
PE/growth (excl. extr.)	22.9	0.2	0.2	nmf	12.1
Free cash flow yield (%)	18.4	1.2	4.1	8.6	7.3

Summary

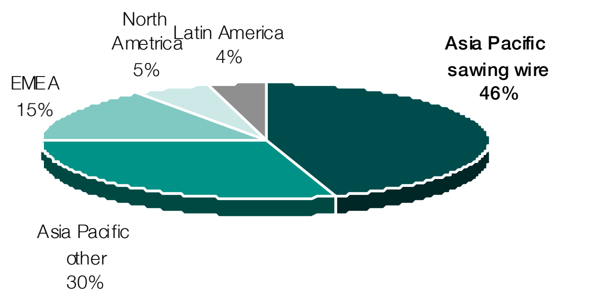
During the past year, the market has grown an increasing awareness that the strong profitability of Bekaert's Asia Pacific division (37.7% EBIT*E* margin in 2010) is driven to a great degree by sawing wire (used to cut wafers for PV cells). We estimate that this product generated an operating margin of 60-65% in 2010, making it account even for 46% of group EBIT*E* (see right-hand chart below). This is not sustainable. Indeed, recent insights show that new entrants are starting to put pressure on prices for sawing wire. 2011 therefore looks to become a year in which a price correction will take place in a search of a new balance in the sawing wire market. In this report, we have assessed the impact that this is likely to have on Bekaert's earnings and valuation.

Estimated 2010 break down consolidated sales (EUR 3,262m)



Source: company data

Estimated 2010 breakdown EBIT*E* excluding non-allocated (EUR 626m)



Source: company data

Growing sawing wire competition and considerable downside risk to prices

Xingda is a well-known example of a new entrant in the sawing wire market, but it is not the only one. In principle, every tyre cord maker should also be able to produce sawing wire, as tyre cords and sawing wires can share up to 80% of manufacturing equipment. As such, the number of companies active in sawing wire has increased from about 5 a few years ago to some 20 now. They are attracted by the tremendous premium of prices for sawing wire compared to tyre cord, which we believe to be RMB 100-120K/tonne versus RMB 12-13K/tonne, respectively. Although it must be noted that sawing wire is a higher value added product that is more costly to make, we believe that this gap indicates that there is considerable downward risk to sawing wire prices.

Every 10% decline in the ASP of sawing price reduces Bekaert's EPS by 9%

The new entrants are fighting themselves into the sawing wire market with aggressive pricing policies. Xingda, for example, is said to undercut Bekaert's selling prices by 20-30%. New entrants do so in an attempt to build critical mass. Moreover, they need to offer lower prices in order to compensate for an unproven quality track record and less advanced (thicker) wire. Bekaert defends its market position by staying ahead of competition in terms of quality and technological innovations (such as the development of structured wire and diamond wire). But, the company has made it clear that it will also adjust its selling prices in order to give competitors the least possible room for manoeuvre. Lower prices feed straight into the pre-tax profit line. An analysis in this report shows that, all else being equal, every 10% decline in the ASP of sawing wire has a roughly equally negative impact in Bekaert's EPS.

Effect increasing competition compounded by overcapacity Chinese PV market

The effect of increasing competition is aggravated by a hiccup in demand for sawing wire. The 30-40% y-t-d decline in prices for solar modules shows that the Chinese PV has entered a situation of oversupply. Currently high inventories of solar cells will likely weigh on production of wafers, and therefore on demand for sawing wire. As the wafer makers are under pressure to reduce costs, they are likely very receptive to lower sawing wire prices.

Pencilling in stronger sawing wire price declines, we cut EPS for 2011/2012/2013 by 14/26/21% to EUR 5.87/5.44/5.96

We have slashed our forecasts for the Asia Pacific division in adjusting them for the new realities in sawing wire. We now assume that Bekaert's ASP of sawing wire declines by 20% in both 2011 and 2012. We have to admit that the price erosion assumption is rather arbitrarily made, as it is at this stage hard to say anything meaningful about the pace. We now forecast the divisional result to fall from EUR 471m (37.7% margin) in 2010 to EUR 400m (31.0% margin) in 2011 and EUR 324m (24.5% margin) in 2012. While leaving our forecasts for the other divisions unchanged, this results in a downgrade to Bekaert's EPS forecasts by 97c (14%) to EUR 5.87 for 2011, by 189c (26%) to EUR 5.44 for 2012 and by 160c (21%) to EUR 5.96 for 2013. We thus expect EPS to grow again only from 2013 onwards.

Valuation seems attractive (10.1x P/E 2012), but underlying earnings forecasts highly uncertain

On our downgraded forecasts for 2012 (which we see as a trough year), Bekaert's valuation seems attractive at only 10.1x P/E and 4.5x EV/EBITDA (EV adjusted for estimated market value JVs). Moreover, we see significant upside potential to a returns-based valuation (where EV/CE = ROCE/WACC) of EUR 72 and DCF outcome of EUR 74. However, we hesitate to say that the forecasts underlying the valuation are surrounded by great uncertainty. Further downside risk may not be ruled out.

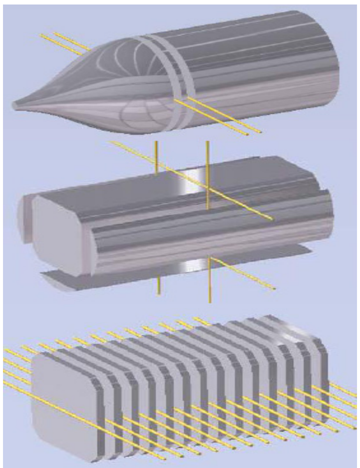
Rating downgraded to HOLD, as market seen adopting wait-and-see mode during sawing wire correction phase

We believe that it is too late to sell the Bekaert stock. But, in spite of the seemingly attractive valuation, we also consider it too early to buy. This is because there is too much uncertainty about the impact of the correction that is taking place in sawing wire prices in 2011 and probably also in 2012. We fear that this correction phase overshadows the otherwise ongoing attractions of the investment case, such as the emerging markets footprint, high CAPEX in capacity expansion (India), focus on R&D, sound balance sheet (0.6x net debt/EBITDA end 2011) and strong management. As such, we expect the market to adopt a wait-and-see mode towards the Bekaert stock for the time being. Therefore, we downgrade our recommendation from BUY to HOLD and set our price target at EUR 60.

Sawing wire

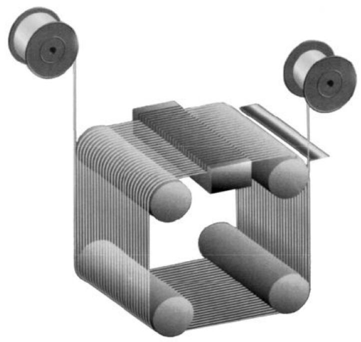
Bekaert has been active in sawing wire since the mid-1980s. Sawing wire is used for wafer slicing (also called wafering), which is a key part of the solar photovoltaic (PV) cell manufacturing process. The process begins with solid ingots made of single-crystal or multi-crystalline silicon material. Wire saws are first used to shape the ingots into squared blocks (see left-hand illustration on the following page). These blocks are subsequently sliced into wafers of a thickness somewhere between 180 and 280µm on a wire saw (see middle illustration on the following page). A single wire with a typical diameter of 120µm and a length of 600-800km is fed from a supply spool through a wire tensioning system to four wire guide rollers. By winding the wire over these rollers a wire web is formed. On the output end, a take-up spool collects the used wire. An abrasive slurry, supplied through a system of nozzles onto the wire web, is carried with the moving wire into the sawing channel where it performs the cut-grinding process (it is thus not the wire that does the cutting). The slurry consists of hard grinding particles, generally Silicon Carbide (SiC) with a diameter in the range of 10 to 15µm which are suspended in glycol or oil (see right-hand illustration on the following page). By pushing the silicon ingot against the wire web they are sliced into thousands of wafers in one single run.

Three stages of wafering



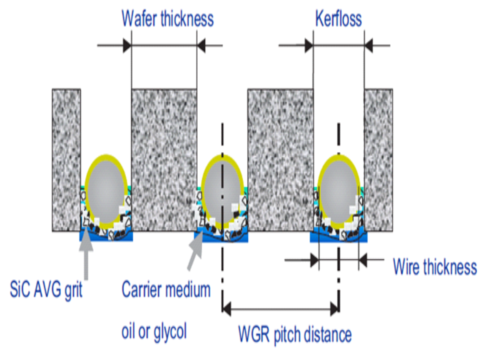
Source: ABN AMRO

Diagram wire saw to cut silicon



Source: ABN AMRO

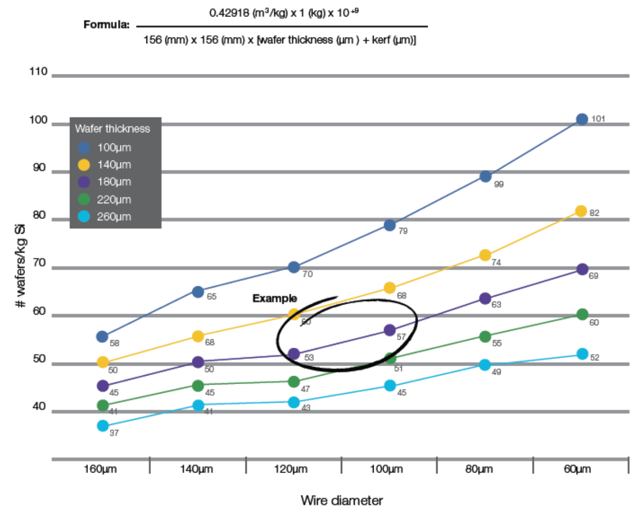
Geometrical parameters cutting zone



Source: ABN AMRO

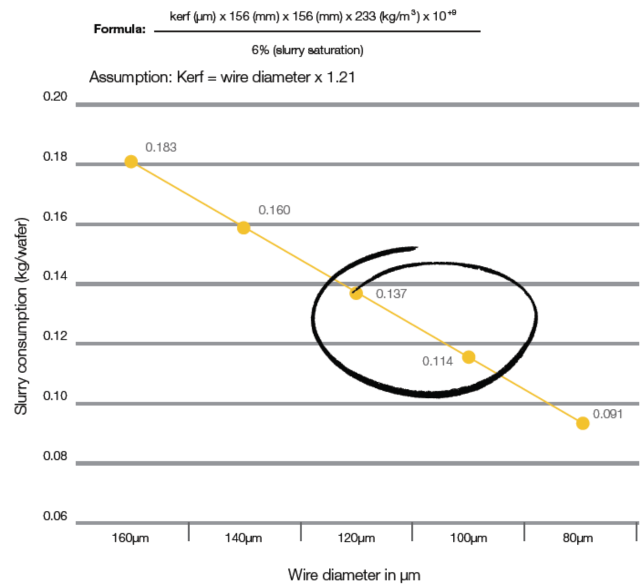
The process requires a high grade wire that needs to be thin and very strong (as a break of the wire during the process would render the silicon ingot worthless). There has been a trend towards reduced diameter of the sawing wire, as this increases the yield in number of wafers per kg of silicon and reduces the cost per wafer (see left hand chart below). Conserving silicon, which can be achieved by reducing the kerf loss (the material lost due to the cutting action itself), and reducing the thickness of the wafers, is a the heart of material yield. Kerf loss is a function of the wire diameter, which has dropped from 180µm in the mid-1990s to typically 120µm today (with some production excursions at 110µm or even 100µm, and down to 80µm at R&D level). A further advantage of a reduced wire diameter is a reduction in slurry consumption (see right-hand chart below).

Number of wafers per kg Si



Source: Bekaert

Calculated slurry consumption per 156 x 156 wafer



Source: Bekaert

As raw material accounts for approximately one third of the cost of solar cells today, sawing wire is critical in reducing the cost per watt and allowing PV to reach price parity with grid electricity.

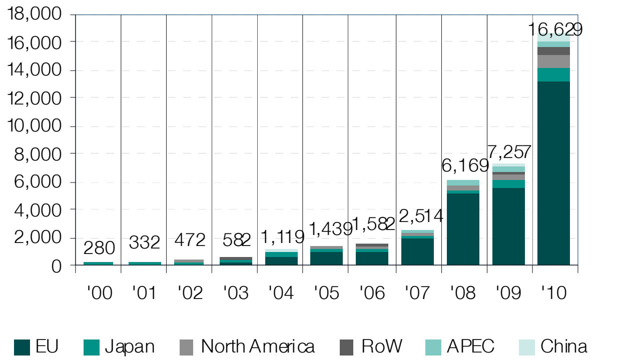
PV market

PV market exploded in 2010

The PV market exploded in 2010, spurred in particular by Germany

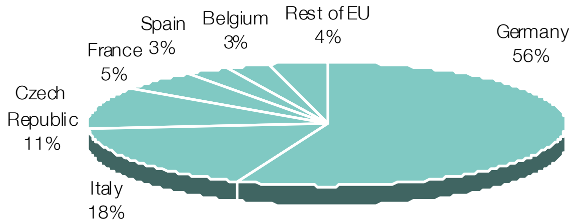
The driver of demand for sawing wire is the installation of photovoltaic (PV) capacity. The left-hand chart below shows that the PV market exploded in 2010, as 16.6GW of capacity was added globally (a 129% increase compared to the year before). As a result, cumulative installed PV capacity reached 39.5GW worldwide (representing a CAGR of 40% since 2000). Europe is the main driver of the growth with 13.2GW of PV capacity installed in 2010 (which roughly doubled the cumulative installed capacity in only one year), while the rest of the world accounted for 3.4GW. The strong increase in 2010 was linked to the rapid growth of the German and Italian markets (the right-hand chart below shows the breakdown of PV installed capacity by country in Europe). With 7.4GW installed in Germany in just one year, the country clearly dominates the PV market worldwide.

Evolution of global annual PV market 2000-2010 (MW)



Source: EPIA

2010 breakdown European PV market by country (size: 13.2GW)

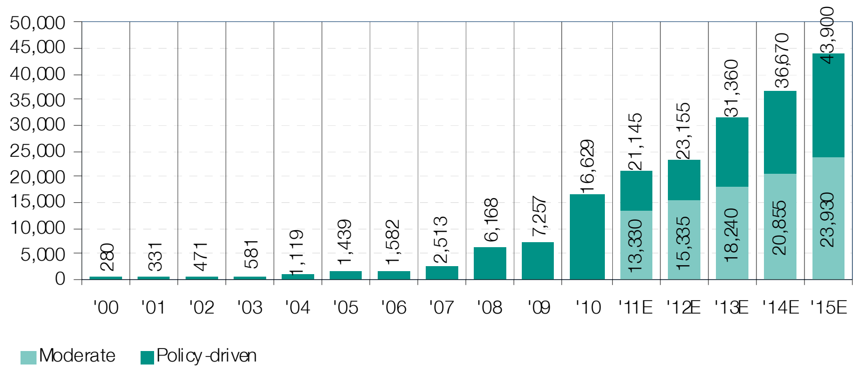


Source: EPIA

Uncertainty about PV market for 2011 due to reductions in support schemes …

There is uncertainty how the PV market will develop in 2011 due to reductions in government support schemes in some European countries. The European Photovoltaic Industry Association (EPIA) expects that subsidy cuts will cause the German PV market to contract to 3-5GW (from 7.4GW in 2010). However, while growth in the EU in coming years could be low, or even negative, EPIA expects that non-EU countries should more than pick up the slack from 2011 and 2012 onwards, ensuring continuous global PV market growth until 2015 and beyond (see chart below).

Global annual PV market forecasts until 2015 (MW)



The Moderate scenario: This scenario assumes a "business-as-usual" market behaviour with no major reinforcement of existing support mechanisms, but takes into account a reasonable continuation of current FiTs aligned with PV systems prices.
The Policy-Driven scenario: This scenario assumes the continuation or introduction of support mechanisms, namely FiTs, accompanied by a strong political will to consider PV as a major power source in the coming years. This must be complemented by a removal of non-necessary administrative barriers and the streamlining of grid connection procedures.

Source: EPIA

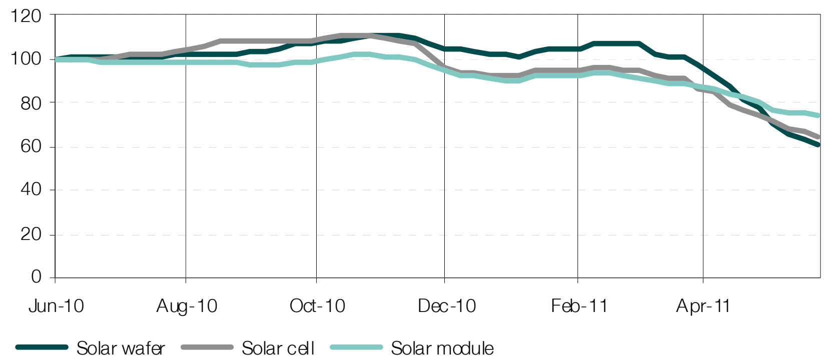
… but no doubts about the longer-term growth potential

There is discord about forecasts of the PV market for 2011. While EPIA expects the global market to show continued growth, there are other sources that predict a temporary correction. However, everyone agrees that the PV market will continue to grow strongly in the longer run. Germany, for example, still has a long way to go to reach its national target of 51GW of PV systems for 2020 (from 17GW installed capacity now). The PV potential of the Sunbelt countries is estimated to be 60-250GW by 2020 and 260-1,100GW in 2030, representing 27% to 58% of the forecast global installed PV capacity by then.

PV modules market reached over capacity in 2011

China has become the world's leading manufacturing hub for PV components, accounting for more than 80% of global production in 2010. The supply side of the PV modules market has entered a situation of overcapacity. This is evidenced by the strong decline in spot prices for solar wafers (40%), cells (35%) and modules (25%) since April of this year (see chart below). The pricing pressure will undoubtedly put pressure on the wafer makers to reduce costs, including those related to consumables like sawing wire. At the moment, the inventory level for wafers increased to several months of demand. It could very well also temporarily weigh on demand for sawing wire in 2011. This comes at a time that new manufacturers are entering the market of sawing wire.

Spot price development for solar wafers, cells and modules (23 June 2010 rebased to 100)



Source: PV Insights

Increasing sawing wire competition

Having been active in sawing wire already since 1992, Bekaert clearly enjoys a first mover advantage. This allowed it to take full advantage of the takeoff of the PV market since 2008. We estimate that Bekaert had a market share in sawing wire in China of around 55-60%.

However, the solid longer-term growth prospects for the PV market and the high margin on sawing wire is attracting competition. For example, Xingda (Bekaert's main rival in the Chinese market for tyre cord) has entered the sawing wire market. Having spent 18 months on R&D and 10 months on the installation of production lines, Xingda commenced mass production of sawing wire in December of 2010. It recorded a sales volume of only 200 tonnes in 2010 (by comparison, we estimate that Bekaert produced some 34,000 tonnes of sawing wire in 2010). Xingda plans to install sawing wire capacity of 5,000 tonnes/year (and targets a sales volume of 4,000 tonnes) in 2011, which is expected to double to 10,000 tonnes/year in 2012. According to Bekaert, Xingda is positioning itself aggressively with prices for certain types of sawing wire that are 20-30% below that of its own.

Bekaert expects that more players will try to enter the sawing wire market. While there were only about 5 players active in sawing wire a few years ago, the company believes that there currently are about 10-20 manufacturers active. These are mostly the same names that Bekaert also encounters in the tyre cord market. According to Xingda, tyre cords and sawing wires can share up to 80% of manufacturing equipment, although sawing wires are more costly to make owing to the additional processing, which requires even more stringent precision. Tyre cord wires are normally drawn to a diameter of 150µm and then stranded into cords whereas sawing wires go through another strenuous process called fine-drawing, which stretches the wires further to a diameter of 120µm or less.

According to Bekaert, other players active in sawing wire are Fundant (China), Kiswire (Korea) and Henan Hengxing Science & Technology. The latter company recently announced targets sawing wire capacity of 12,000 tonnes/year by August, 15,000 tonnes/year by the end of 2011 and 25,000 tonnes/year by the end of 2012.

Bekaert determined to defend its market share in sawing wire

Bekaert has made it very clear that it is determined to defend its market share at any cost. The company believes it is vital to give (potential) competitors as less room as possible to manoeuvre themselves in the sawing wire market, as this could allow them to become formidable players at the higher value added end a few years down the road. Bekaert will defend its position through prices and R&D. At the 1Q11 trading update, the company stated in the outlook that it "implements timely and appropriate measures, including adequate price adjustments, to maintain its strong market position in China". Taking into account the indications we get from competitors, this statement leaves no doubt that we must count on serious pricing pressure. We believe that Bekaert's strategy will be to set pricing around the marginal production costs of its competitors. On a positive note, Bekaert should enjoy significant scale advantages that will be hard to match by competitors.

Another line of defence is to maintain a lead with R&D. Bekaert started with R&D on sawing wire already in the 1980s, while many others did so only a few years ago. While competitors are entering the market with sawing wire that is 140µm to 120µm thick, Bekaert's technological lead enables it to already supply wire as thin as 80µm (in an earlier illustration, we showed that a reduction in wire diameter from 120µm to 80µm improves the wafer output per kg Si by 19%). The company claims that its sawing wire also is leading regarding quality (proven tensile strength), which competitors need to compensate with discounts. Bekaert also is at the forefront with emerging technologies to develop structured wire and revolutionary diamond coated wire (compared to conventional straight wire technology, structured wire significantly increases productivity due to more efficient transport of slurry and faster cut rate and diamond wire is designed to further reduce costs by eliminating slurry while further increasing the cut speed). The company invests vast amounts in R&D (EUR 79m in 2010 and about EUR 100m in 2011) to maintain its technological lead.

Modelling a new reality in sawing wire

Bekaert confirmed to us that 2011 will be a year in which a new balance will be found for the sawing wire market in China. While the company is confident that volumes will return and be solid in the coming years, it acknowledges that a new reality is developing regarding pricing. In this section, we will translate the changing pricing dynamics into new forecasts for Bekaert's Asia Pacific division. We note that this is a challenging exercise, as it is subject to many assumptions that can sometimes be quite arbitrary to make. We are not helped by Bekaert's limited disclosure. And the company has recently decided to become more even closed in providing insights (regarding capacities, for example) in order not to share sensitive information with competitors.

Bekaert did give us a helpful clue that 1GW in PV capacity requires roughly 4,000-5,000 tonnes of sawing wire to make (depending on the diameter). This rule of thumb provides us a bit more insight in the volumes of the sawing wire market.

The table on the following page shows our forecasts for the sawing wire business of the Asia Pacific division based on a top-down approach. We have made the following assumptions:

- Our top-down approach begins with forecasts regarding global installed PV capacity, which are based on the earlier-shown EPIA estimates. We have assumed that for 80% of the installed capacity the wafers are being manufactured in China, which is the relevant market for Bekaert's Asia Pacific division.
- We have applied to this the earlier-mentioned rule of thump that 4,000-5,000 tonnes of sawing wire is consumed to manufacture 1GW of PV capacity in 2010. Going forward, we have assumed that this ratio declines by 5-10% every year in order to take into account likely efficiency improvements (thinner wire, structured wire, diamond wire). We thus estimate that the Chinese market for sawing wire had a size of 60K tonnes in 2010.
- We have a fairly good notion of the revenue that Bekaert's Asia Pacific division generates from sawing wire. It is disclosed that 36% of divisional revenue stemmed from the Energy & Utilities segment in 2010. We assume that this was entirely from sawing wire, or EUR 449m.

We assume a drop in the ASP for sawing wire by 20% in 2011 and 20% in 2012

- A very important assumption that we had to make relates to Bekaert's average selling price (ASP) for sawing wire. Xingda seems to be pricing its sawing wire at RMB 80,000-100,000 per tonne. Bekaert let us know that Xingda is aggressively entering the sawing wire market with prices that are 20-30% lower (and in some cases even 40%). This makes us assume that Bekaert's ASP was RMB 120,000 per tonne in 2010 (or *EUR* 13,393 per tonne). To put this in perspective, we point out that Xingda's accounts reveal an ASP for its *tyre cord* business of only RMB 12,000-13,000 per tonne in 2010. However, it must be noted, that sawing wire is a higher value added product and that the production costs are clearly lower for tyre cord. Still, it seems fair to assume that the price difference signals a considerable downside risk for sawing wire. Going forward, we have assumed that competitive pressure forces Bekaert's ASP down by 20% in 2011, by 20% in 2012 and by 5% in 2013 (to RMB 73,000 per tonne). We admit that the price erosion assumption is rather arbitrary. As they feed straight into the pre-tax profit line, the assumed price declines have a very negative impact on earnings forecasts.
- The estimated revenue and ASP imply that volume of sawing wire amounted to 34K tonnes in 2010. This would represent a share of 56% of the total estimated sawing wire market in China. Even though we have assumed that Bekaert lower its prices to defend its market share, we have assumed the company is only partially successful at doing so. We have assumed that Bekaert's market share erodes to 50% in 2011, 45% in 2012 and stabilises at 40% from 2013, which gives implicit volume estimates for these years. Admittedly, these are again rather arbitrarily made assumptions.
- In factoring in the impact of volume changes on earnings, we have simply assumed that OPEX is for 20% fixed and for 80% variable (and thus changes in line with volume). In other word, we have assumed little operational leverage. We have furthermore factored in an annual increase of 3% to account for the net effect of inflation and efficiency improvements.

Sawing wire EBIT*E* in Asia Pacific division forecast to fall from EUR 282m in 2010 to EUR 192m in 2011 and EUR 96m in 2012

Based on these assumptions, we forecast a steep drop in sawing wire EBIT*E* for Bekaert's Asia Pacific division from EUR 282m (62.8% margin) in 2010 to EUR 192m (52.4% margin) in 2011 and EUR 96m (36.9% margin) in 2012 (see the table on the following page). We stress once more that the forecasts must be considered with a great degree of caution, as the assumptions are surrounded by great uncertainty. At this stage, no one can meaningfully tell how the pricing environment will develop. In a later section, we show a analysis with the sensitivity of Bekaert's EPS to different scenarios for sawing wire pricing.

Forecasts sawing wire earnings of Bekaert's Asia Pacific division (EUR m)

	2010	2011E	2012E	2013E	2014E	2015E
Global PV installation based on EPIA forecasts (GW)	16.6	21.1	23.2	31.4	36.7	43.9
% chg.		27.2%	9.5%	35.4%	16.9%	19.7%
Chinese wafer manufacturing supplying 80% if installed capacity	13.3	16.9	18.5	25.1	29.3	35.1
Assumed sawing wire consumption per 1GW PV installation (tonnes)	4,500	4,050	3,645	3,463	3,290	3,125
% chg.		-10.0%	-10.0%	-5.0%	-5.0%	-5.0%
Chinese sawing wire market (tonnes)	**59,864**	**68,510**	**67,520**	**86,873**	**96,504**	**109,755**
% chg.		14.4%	-1.4%	28.7%	11.1%	13.7%
Revenue sawing wire (EUR m)	**449.3**	**367.0**	**260.4**	**283.0**	**314.3**	**357.5**
% chg.	98.3%	-18.3%	-29.0%	8.6%	11.1%	13.7%
ASP sawing wire (RMB/tonne)	120,000	96,000	76,800	72,960	72,960	72,960
% chg.		-20.0%	-20.0%	-5.0%	0.0%	0.0%
ASP sawing wire (EUR/tonne)	13,393	10,714	8,572	8,143	8,143	8,143
Bekaert volume sawing wire (tonnes)	33,545	34,255	30,384	34,749	38,602	43,902
% chg.		2.1%	-11.3%	14.4%	11.1%	13.7%
Bekaert market share in China	56%	50%	45%	40%	40%	40%
share of fixed OPEX		20.0%	20.0%	20.0%	20.0%	20.0%
share of variable OPEX		80.0%	80.0%	80.0%	80.0%	80.0%
cost inflation less efficiency improvements		3.0%	3.0%	3.0%	3.0%	3.0%
OPEX sawing wire (EUR m)	(167.0)	(174.8)	(164.3)	(188.1)	(210.4)	(239.8)
EBIT*E* sawing wire (EUR m)	**282.3**	**192.2**	**96.2**	**94.9**	**103.9**	**117.7**
margin	62.8%	52.4%	36.9%	33.5%	33.1%	32.9%
% chg.	94.3%	-31.9%	-50.0%	-1.3%	9.5%	13.2%

Source: ABN AMRO

Asia Pacific forecasts slashed

EBIT*E* forecasts Asia Pacific division slashed by 19/37/32% for 2011/2012/2013

The table on the following page shows new our estimates of the Asia Pacific division based on explicit forecasts for the segments sawing wire, automotive and other. It shows that we have slashed our divisional EBIT*E* forecasts by 19% for 2011, 37% for 2012 and 32% for 2013. This downgrade is due to aforementioned lowered forecasts for the sawing wire segment. We do not see major pressures for the 'automotive' and 'other' segments. The tyre cord business of the automotive segment is characterised by a more stable and settled environment. For quite a number of years, this has been a duopolistic market where Bekaert and Xingda each have a market share of about 35%. From Xingda's accounts, we can tell that its tyre cord business enjoyed a fairly stable pricing environment with stable margins during the last couple of years. Bekaert let us know that Xingda's aggressive pricing behaviour is not seen in tyre cord. Note that the growth that we expect for the 'automotive' segment is also based on Bekaert's expansion in the Indian tyre cord market. We expect that the 'other' segment (assumed to generate a relatively low operating margin of 15%) will grow strongly on the back of Bekaert's expansion in other product groups in China, India and Indonesia (such as the intended 75% stake in a partnership with Xinyu Iron & Steel for the production of overhead conductor products).

Asia Pacific EBITE forecast to fall by 15% in 2011 and 19% in 2012 (and grow again thereafter)

The table on the following page shows that the Asia Pacific margin is forecast to erode from 37.7% in 2010 to 31.0% in 2011 and 24.5% in 2012. The margin erosion that we forecast now is so strong that we no longer expect it to be compensated by top-line growth. Hence, we forecast that divisional EBIT*E* in absolute terms will fall by 15% in 2011 and 19% in 2012 (and grow again thereafter).

Forecasts Asia Pacific division (EUR m)

	2009	2010	2011E	2012E	2013E	2014E	2015E
Sawing wire sales	226.6	449.3	367.0	260.4	283.0	314.3	357.5
% chg.		98.3%	-18.3%	-29.0%	8.6%	11.1%	13.7%
Sawing wire EBITE	145.3	282.3	192.2	96.2	94.9	103.9	117.7
margin	64.1%	62.8%	52.4%	36.9%	33.5%	33.1%	32.9%
% chg.		94.3%	-31.9%	-50.0%	-1.3%	9.5%	13.2%
Automotive sales	501.7	624.0	694.1	763.6	839.9	907.1	952.5
% chg.		24.4%	11.2%	10.0%	10.0%	8.0%	5.0%
Automotive EBIT*E*	130.4	162.2	173.5	183.3	193.2	199.6	200.0
margin	26.0%	26.0%	25.0%	24.0%	23.0%	22.0%	21.0%
% chg.		24.4%	7.0%	5.6%	5.4%	3.3%	0.2%
Other sales	80.9	174.7	230.9	295.6	339.9	390.9	430.0
% chg.		115.9%	32.2%	28.0%	15.0%	15.0%	10.0%
Other EBITE	12.1	26.2	34.6	44.3	51.0	58.6	64.5
margin	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
% chg.		115.9%	32.2%	28.0%	15.0%	15.0%	10.0%
Total sales Asia Pacific	**809.2**	**1,248.0**	**1,292.1**	**1,319.6**	**1,462.8**	**1,612.3**	**1,739.9**
% chg.	**13.5%**	**54.2%**	**3.5%**	**2.1%**	**10.9%**	**10.2%**	**7.9%**
Total EBIT*E* Asia Pacific	**287.9**	**470.7**	**400.4**	**323.8**	**339.1**	**362.1**	**382.2**
margin	**35.6%**	**37.7%**	**31.0%**	**24.5%**	**23.2%**	**22.5%**	**22.0%**
% chg.	**15.6%**	**63.5%**	**-14.9%**	**-19.1%**	**4.7%**	**6.8%**	**5.5%**
Old EBIT*E* forecast			499.0	516.3	498.5	467.3	441.8
margin			32.5%	29.0%	25.0%	21.5%	19.0%
% downgrade			**-19.8%**	**-37.3%**	**-32.0%**	**-22.5%**	**-13.5%**

Source: ABN AMRO

Sensitivity EPS to different sawing wire pricing scenarios

Every 10% decline in the ASP of sawing wire has a roughly equally negative impact on Bekaert's EPS

As said, it is hard to tell how much pressure there could be on sawing wire prices for Bekaert. Therefore, we show in the table on the following page an analysis of the sensitivity of Bekaert's EPS to different scenarios regarding a decline in the ASP of sawing wire. We take the 2010 figures as the starting point. For each scenario, everything else is assumed to remain stable (i.e., the EBIT of the other Asia Pacific business and the other divisions). We only made adjustments to 'net financial expenses' to take into account the lower cash flow in scenarios with higher pricing pressure. This analysis shows that every 10% decline in the ASP of sawing wire has a roughly equally negative impact on Bekaert's EPS.

Sensitivity of earnings to decline ASP sawing wire, everything else assumed equal (EUR m)

	Starting point 2010	Decline ASP sawing wire -10%	-20%	-30%	-40%
Revenue sawing wire Asia Pacific	449.3	404.3	359.4	314.5	269.6
EBITE sawing wire Asia Pacific	282.3	237.4	192.4	147.5	102.6
margin	62.8%	58.7%	53.5%	46.9%	38.1%
EBITE other Asia Pacific	188.4	188.4	188.4	188.4	188.4
margin	23.6%	23.6%	23.6%	23.6%	23.6%
EBITE other regions	155.3	155.3	155.3	155.3	155.3
margin	7.7%	7.7%	7.7%	7.7%	7.7%
Non-allocated	(63.6)	(63.6)	(63.6)	(63.6)	(63.6)
EBITE total	**562.5**	**517.6**	**472.6**	**427.7**	**382.8**
margin	17.2%	16.1%	14.9%	13.7%	12.4%
% difference to starting point		-8.0%	-16.0%	-24.0%	-31.9%
Non-recurring items	(28.2)	(28.2)	(28.2)	(28.2)	(28.2)
Net financial expenses	(32.4)	(33.9)	(35.4)	(36.9)	(38.5)
Taxes	(139.5)	(126.6)	(113.6)	(100.7)	(87.8)
rate	27.8%	27.8%	27.8%	27.8%	27.8%
Share in result JVs	36.1	36.1	36.1	36.1	36.1
Minority interests	(30.9)	(30.9)	(30.9)	(30.9)	(30.9)
Net profit	**367.6**	**334.1**	**300.6**	**267.0**	**233.5**
EPS	**6.21**	**5.64**	**5.07**	**4.51**	**3.94**
% difference to starting point		**-9.1%**	**-18.2%**	**-27.4%**	**-36.5%**

Source: ABN AMRO

EPS estimates cut by 14/26/21% for 2011/2012/2013

The table below shows that we have slashed Bekaert's EPS forecasts by 97c (14%) to EUR 5.87 for 2011, by 189c (26%) to EUR 5.44 for 2012 and by 160c (21%) to EUR 5.96 for 2013 (this compares with EPS of EUR 6.21 achieved in 2010). Hence, we expect EPS to grow again only from 2013 onwards. The table on the following page shows the detail behind our forecasts.

Old versus new forecasts (USD m)

	2011 Old	2011 New	2011 % chg.	2012 Old	2012 New	2012 % chg.	2013 Old	2013 New	2013 % chg.
Sales	3,855	**3,611**	-6%	4,224	**3,764**	-11%	4,553	**4,021**	-12%
EBIT*E*	624	**536**	-14%	655	**484**	-26%	650	**508**	-22%
margin	16.2%	**14.8%**		15.5%	**12.9%**		14.3%	**12.6%**	
EPS (EUR)	6.85	**5.87**	-14%	7.32	**5.44**	-26%	7.56	**5.96**	-21%

Source: ABN AMRO

P&L Bekaert (EUR m)

	2008	2009	2010	2011E	2012E	2013E	2014E	2015E
EMEA	1,168	827	1,066	1,244	1,319	1,385	1,426	1,369
North America	605	473	638	727	756	786	802	770
Latin America	177	327	311	348	369	388	399	387
Asia Pacific	713	809	1,248	1,292	1,320	1,463	1,612	1,740
***Consolidated* sales**	**2,662**	**2,437**	**3,262**	**3,611**	**3,764**	**4,021**	**4,240**	**4,266**
% chg.	22.5%	-8.5%	33.9%	10.7%	4.2%	6.9%	5.4%	0.6%
organic	17.7%	-16.9%	31.5%	12.1%	5.4%	7.2%	5.4%	0.6%
fx	-1.0%	2.5%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%
consolidation	5.8%	5.9%	1.4%	1.4%	0.8%	0.0%	0.0%	0.0%
EBITDA*E*	**496**	**410**	**754**	**724**	**675**	**702**	**713**	**667**
margin	18.6%	16.8%	23.1%	20.0%	17.9%	17.5%	16.8%	15.6%
% chg.	59.8%	-17.3%	83.7%	-3.9%	-6.7%	4.0%	1.5%	-6.5%
EBIT*E* EMEA	68	2	95	122	132	138	128	89
margin	5.8%	0.2%	8.9%	9.8%	10.0%	10.0%	9.0%	6.5%
% chg	0.0%	-97.6%	5722.9%	27.9%	8.2%	5.0%	-7.3%	-30.7%
EBIT*E* North America	25	(5)	34	49	53	55	56	35
margin	4.1%	-1.1%	5.3%	6.8%	7.0%	7.0%	7.0%	4.5%
% chg	0.0%	-120.2%	nmf	44.9%	7.1%	4.0%	2.0%	-38.3%
EBIT*E* Latin America	16	28	26	31	35	39	42	29
margin	8.9%	8.4%	8.3%	8.8%	9.5%	10.0%	10.5%	7.5%
% chg	0.0%	75.0%	-5.9%	18.3%	14.4%	10.5%	8.1%	-30.7%
EBIT*E* Asia Pacific	249	288	471	400	324	339	362	382
margin	34.9%	35.6%	37.7%	31.0%	24.5%	23.2%	22.5%	22.0%
% chg	0.0%	15.6%	63.5%	-14.9%	-19.1%	4.7%	6.8%	5.5%
Other	(63)	(55)	(64)	(66)	(60)	(63)	(71)	(64)
Total EBIT*E*	**294**	**257**	**562**	**536**	**484**	**508**	**518**	**471**
margin	11.1%	10.5%	17.2%	14.8%	12.9%	12.6%	12.2%	11.0%
% chg.	57.9%	-12.7%	119.1%	-4.7%	-9.8%	5.1%	1.9%	-9.1%
Non-recurring items	(84)	(25)	(28)	(15)	(15)	(15)	(15)	(15)
EBIT	**210**	**232**	**534**	**521**	**469**	**493**	**503**	**456**
Net financial charges	(49)	(66)	(32)	(54)	(44)	(31)	(19)	(4)
EBT	**161**	**167**	**502**	**467**	**425**	**462**	**484**	**452**
Taxes	(26)	(34)	(139)	(131)	(123)	(134)	(140)	(131)
as % of EBT	15.8%	20.4%	27.8%	28.0%	29.0%	29.0%	29.0%	29.0%
Share in results joint ventures	56	38	36	44	51	58	60	58
Result discontinued operations	0	0	0	0	0	0	0	0
Minority interests	(18)	(19)	(31)	(29)	(27)	(29)	(31)	(29)
Net profit continuing operations	**174**	**152**	**368**	**352**	**326**	**357**	**373**	**350**
% chg.	13.9%	-12.8%	142.2%	-4.3%	-7.5%	9.7%	4.4%	-6.1%
EPS basic (EUR)	**2.94**	**2.56**	**6.21**	**5.87**	**5.44**	**5.96**	**6.23**	**5.85**
% chg.	15.7%	-12.9%	142.1%	-5.3%	-7.5%	9.7%	4.4%	-6.1%
DPS (EUR)	**0.93**	**0.98**	**1.67**	**1.76**	**1.90**	**2.09**	**2.18**	**2.05**
pay out	31.8%	38.4%	27.2%	30.0%	35.0%	35.0%	35.0%	35.0%

Source: company data and ABN AMRO estimates

Valuation seems attractive …

After the share price has dropped by 36% year to date, Bekaert's valuation seems attractive. But we hesitate to say that the earnings forecasts underlying the valuation are surrounded by great uncertainty.

Trading only at 10.1x P/E 2012

On our downgraded forecasts for 2012 (which we see as a trough year), the stock trades at only 10.1x P/E and 4.5x EV/EBITDA (note: EV adjusted for estimated market value JVs). We caution, however, that there is limited comfort in our earnings forecasts, as the impact of the correction in sawing wire prices is hard to predict. We can not rule out further downside risk to our forecasts.

Returns-based valuation of EUR 72 on 2012 numbers

Our preferred way to estimate a fair value for Bekaert is by means of a returns-based approach (which gives a per share valuation where EV/CE equals ROCE/WACC). The table below shows that this approach yields an outcome of EUR 72 on (trough) 2012 forecasts. This implies a 2012 valuation of 13.2x P/E and 6.1x EV/EBITDA.

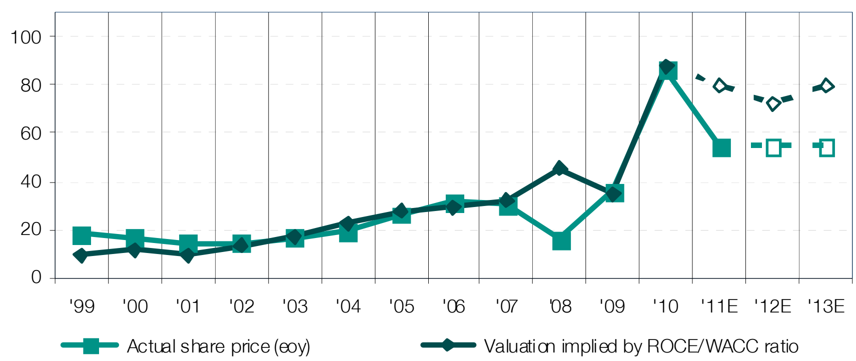
Returns-based valuation Bekaert (EUR m)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011E	2012E	2013E
EBITE	123.8	121.7	147.6	167.9	162.7	186.3	294.2	256.8	562.5	536.1	483.8	508.5
margin	6.6%	6.8%	8.5%	8.8%	8.1%	8.6%	11.1%	10.5%	17.2%	14.8%	12.9%	12.6%
ROCE (incl. cum. goodwill)	7.2%	7.9%	8.7%	8.4%	9.1%	10.0%	13.5%	10.5%	19.0%	15.7%	13.3%	13.7%
WACC	8.7%	8.7%	8.7%	7.9%	8.3%	8.8%	8.9%	8.9%	8.5%	8.5%	8.4%	8.4%
ROCE (incl. cum. goodwill)/WACC	0.8	0.9	1.0	1.1	1.1	1.1	1.5	1.2	2.2	1.8	1.6	1.6
Actual EV/Capital employed valuation	0.9	0.9	0.9	1.0	1.2	1.1	0.7	1.2	2.2	1.3	1.2	1.1
Valuation implied by ROCE/WACC (EUR)	**13.23**	**17.20**	**22.57**	**27.68**	**29.54**	**32.22**	**45.55**	**35.06**	**87.68**	**79.82**	**72.35**	**79.68**
Actual average share price (EUR)	14.38	16.83	19.58	26.32	31.57	30.67	16.11	36.17	85.90	54.75	54.75	54.75

Source: ABN AMRO

Back-testing validates the returns-based valuation methodology, as Bekaert's historical share price development has tracked the outcome closely (see the chart below).

Development Bekaert's valuation implied by ROCE/WACC ratio versus actual eoy share price (EUR)



Source: ABN AMRO

DCF valuation of EUR 74

The returns-based valuation is supported by the outcome of our DCF model (which is shown in the table on the following page).

DCF valuation Bekaert, including DDM valuation JVs/associates (EUR m)

	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	Terminal value	CAGR '11 - '20
Revenue	**3,611**	**3,764**	**4,021**	**4,240**	**4,266**	**4,439**	**4,631**	**4,810**	**4,974**	**5,144**		**4.7%**
% chg.	10.7%	4.2%	6.9%	5.4%	0.6%	4.0%	4.3%	3.8%	3.4%	3.4%		
EBIT (recurring)	**536**	**484**	**508**	**518**	**471**	**516**	**571**	**599**	**606**	**626**		**1.1%**
margin	14.8%	12.9%	12.6%	12.2%	11.0%	11.6%	12.3%	12.5%	12.2%	12.2%		
% chg.	-4.7%	-9.8%	5.1%	1.9%	-9.1%	9.7%	10.5%	5.0%	1.1%	3.2%		
Taxes	(150)	(140)	(147)	(150)	(137)	(150)	(166)	(174)	(176)	(181)		
effective tax rate	28.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%		
NOPAT	**386**	**344**	**361**	**368**	**334**	**367**	**405**	**426**	**430**	**444**		**0.9%**
% chg.	-5.0%	-11.0%	5.1%	1.9%	-9.1%	9.7%	10.5%	5.0%	1.1%	3.2%		
Depreciation and amortisation	188	192	194	195	196	195	197	199	201	202		
Change in provisions	0	0	0	0	0	0	0	0	0	0		
Change in net working capital	(139)	17	(71)	(61)	(10)	(45)	(54)	(50)	(46)	(48)		
Net CAPEX	(252)	(228)	(213)	(212)	(172)	(236)	(237)	(229)	(212)	(202)		
Free cash flow / Terminal value	**183**	**324**	**271**	**290**	**347**	**280**	**312**	**347**	**374**	**397**	**5,199**	
% chg.	109.9%	77.6%	-16.5%	6.9%	20.0%	-19.4%	11.5%	11.1%	7.8%	6.1%		
WACC												
Terminal growth												
Discount factor	96.0%	88.4%	81.5%	75.1%	69.1%	63.7%	58.7%	54.1%	49.8%	45.9%	45.9%	
Present value FCFs/Terminal value	**175**	**287**	**221**	**217**	**240**	**178**	**183**	**187**	**186**	**182**	**2,386**	
Sum PV FCFs	2,058											
PV Terminal value	2,386											
Value consolidated business	**4,444**											
DDM valuation JVs/associates	**677**											
Financial fixed assets	32											
Minority interests	(86)											
Pension deficit	(142)											
Net cash/(interest-bearing debt)	(522)											
Equity value	**4,403**											
Number of shares ('000s)	59,885											
DCF value per share (EUR)	**73.53**											
Share price (EUR)	54.75											
Upside / downside	34.3%											

Source: ABN AMRO

Sensitivity analysis DCF valuation per share (EUR)

	Terminal growth rate		
WACC	**0.0%**	1.0%	2.0%
8.1%	78.67	84.95	93.30
8.6%	**73.53**	78.81	85.71
9.1%	68.98	73.46	79.21

Source: Fortis estimates

Valuation multiples implied by DCF outcome

	2011E	2012E	2013E
P/E	12.5	13.5	12.3
P/B (excl. goodw.)	2.4	2.2	1.9
EV/Sales	1.2	1.2	1.1
EV/EBITDA	6.1	6.6	6.3
EV/EBIT	8.3	9.2	8.7

Source: Fortis estimates

… but uncertainty prompts cut to HOLD

We believe that it is too late to sell the Bekaert stock. But, in spite of the seemingly attractive valuation multiples and the upside to the returns-based valuation, we also consider it too early to buy. This is because there is too much uncertainty about the impact of the correction that is taking place in sawing wire prices in 2011 and probably also in 2012. We fear that this correction phase overshadows the otherwise ongoing attractions of the investment case, such as the emerging markets footprint, high CAPEX in capacity expansion (India), focus on R&D, sound balance sheet (0.6x net debt/EBITDA end 2011) and strong management. As such, we expect the market to adopt a wait-and-see mode towards the Bekaert stock for the time being. Therefore, we downgrade our recommendation from BUY to HOLD and set our price target at EUR 60.

P & L Statement (EUR m) Year to December	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Net sales	1,741.9	1,914.3	2,009.6	2,173.6	2,662.4	2,437.3	3,262.5	3,611.5	3,763.6	4,021.4
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personnel costs	(450.3)	(449.9)	(462.0)	(472.6)	(524.2)	(499.1)	(596.9)	(627.0)	(649.2)	(676.3)
Other operating costs										
EBITDA	**255.6**	**257.4**	**262.2**	**298.6**	**412.2**	**385.7**	**725.3**	**708.8**	**660.5**	**687.3**
Depreciation	(107.6)	(107.4)	(110.7)	(119.7)	(165.9)	(139.8)	(173.0)	(187.7)	(191.6)	(193.8)
EBITA	**148.0**	**150.0**	**151.4**	**178.9**	**246.3**	**245.8**	**552.3**	**521.1**	**468.8**	**493.5**
Reported provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	(9.0)	(13.7)	(5.5)	(4.3)	(35.8)	(13.6)	(18.0)	0.0	0.0	0.0
EBIT	139.0	136.3	145.9	174.6	210.5	232.2	534.3	521.1	468.8	493.5
Net financials	(20.5)	(15.3)	(31.0)	(41.0)	(49.2)	(65.6)	(32.4)	(53.9)	(44.3)	(31.1)
Profit Before Taxes (PBT)	**118.5**	**121.0**	**114.9**	**133.6**	**161.2**	**166.6**	**501.9**	**467.2**	**424.6**	**462.4**
Taxes	(18.4)	(30.3)	(18.4)	(19.1)	(25.5)	(33.9)	(139.5)	(130.8)	(123.1)	(134.1)
Income from associates	53.5	56.9	51.0	47.1	56.1	37.8	36.1	44.3	50.9	58.2
Minorities	(12.3)	(12.0)	(4.8)	(8.7)	(17.7)	(18.6)	(30.9)	(28.9)	(26.8)	(29.4)
Net profit before extraordinaries	**141.3**	**135.7**	**142.8**	**152.9**	**174.1**	**151.8**	**367.6**	**351.8**	**325.5**	**357.1**
Extraordinary items	26.3	54.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net reported profit	167.6	189.9	142.8	152.9	174.1	151.8	367.6	351.8	325.5	357.1
% change in Sales	(3.1)	9.9	5.0	8.2	22.5	(8.5)	33.9	10.7	4.2	6.9
% change in EBITDA	6.9	0.7	1.8	13.9	38.0	(6.4)	88.1	(2.3)	(6.8)	4.1
% change in EBITA	32.4	1.3	1.0	18.1	37.7	(0.2)	124.7	(5.6)	(10.0)	5.3
% change in PBT	72.1	2.1	(5.0)	16.3	20.7	3.3	201.3	(6.9)	(9.1)	8.9
% change in Net profit before extraordinaries	63.0	(3.9)	5.2	7.1	13.9	(12.8)	142.2	(4.3)	(7.5)	9.7

Cash Flow Statement (EUR m)	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
EBITDA	**255.6**	**257.4**	**262.2**	**298.6**	**412.2**	**385.7**	**725.3**	**708.8**	**660.5**	**687.3**
Change in provisions excluding tax provisions	(0.6)	(15.4)	(12.3)	(8.9)	26.2	(44.5)	1.7	0.0	0.0	0.0
Change in net working capital	(112.6)	(32.3)	(31.9)	(41.9)	(162.4)	195.6	(276.9)	(138.6)	17.5	(70.8)
Gross operating cash flow	142.4	209.8	217.9	247.8	276.0	536.8	450.1	570.2	677.9	616.5
Taxes paid	(32.9)	(25.5)	(16.8)	(24.9)	(27.5)	(31.1)	(113.3)	(130.8)	(123.1)	(134.1)
Capex	(172.9)	(151.6)	(161.3)	(199.8)	(251.1)	(173.8)	(249.1)	(252.4)	(228.1)	(213.2)
Free cash flow	**(63.3)**	**32.7**	**39.8**	**23.1**	**(2.6)**	**331.9**	**87.7**	**187.0**	**326.7**	**269.2**
Net interest received	(16.0)	(14.8)	(22.0)	(30.8)	(31.5)	(39.2)	(43.5)	(53.9)	(44.3)	(31.1)
Other	75.5	96.6	(25.4)	42.1	24.2	172.3	16.6	50.7	40.1	46.4
Acquisitions	(16.9)	(21.2)	(42.7)	(14.7)	(44.2)	(3.4)	(29.9)	(18.0)	0.0	0.0
Divestments	0.1	86.5	0.0	4.2	0.7	(0.5)	12.6	0.0	0.0	0.0
Share issues/buybacks	(8.8)	(24.3)	(56.1)	(111.0)	(19.7)	(0.5)	(57.7)	0.0	0.0	0.0
Dividend (adj. stock dividend)	(45.3)	(52.2)	(74.1)	(57.2)	(62.2)	(50.6)	(118.5)	(99.8)	(105.5)	(113.9)
Extraordinary items (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in interest-bearing debt	77.4	20.6	39.1	136.4	180.4	(252.5)	299.8	(66.0)	(217.0)	(170.6)
Change in cash & cash equivalents	**2.7**	**123.8**	**(141.5)**	**(7.9)**	**45.1**	**157.5**	**167.1**	**0.0**	**0.0**	**0.0**

Balance Sheet (EUR m)	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Net intangible fixed assets	118.4	125.4	134.5	122.0	111.5	105.0	131.1	135.3	139.6	144.9
Net tangible fixed assets	791.6	799.8	824.2	917.6	1,070.7	1,127.7	1,295.1	1,355.6	1,387.8	1,401.9
Financials fixed assets (FFA)	331.1	325.5	348.6	303.4	247.7	311.7	339.6	339.6	339.6	339.6
Inventories	419.3	348.3	368.8	385.4	510.5	358.4	507.7	581.7	595.9	636.8
Trade debtors	385.2	354.2	398.9	437.7	483.2	479.6	774.3	817.6	810.7	866.3
Other debtors	44.9	63.4	63.7	73.1	125.3	171.2	182.4	229.1	249.4	271.3
Cash & securities	98.9	222.7	81.2	73.2	118.3	275.8	442.9	442.9	442.9	442.9
Total Assets	**2,189.3**	**2,239.3**	**2,219.8**	**2,312.6**	**2,667.2**	**2,829.5**	**3,673.1**	**3,901.8**	**3,966.1**	**4,103.8**
Shareholder's equity	909.7	1,057.5	1,060.1	1,098.2	1,130.6	1,284.8	1,610.7	1,862.6	2,082.6	2,325.8
Other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	48.8	51.1	48.9	48.4	41.8	88.7	86.0	103.3	119.4	137.0
Provisions	373.0	357.5	331.4	298.8	373.4	329.9	379.9	379.9	379.9	379.9
Long-term interest bearing debt	242.3	288.3	274.4	322.5	288.1	598.1	700.5	634.4	417.4	246.8
Short-term interest bearing debt	312.0	245.6	218.0	253.0	503.1	151.4	320.3	320.3	320.3	320.3
Trade creditors	250.8	187.4	227.8	231.7	253.8	247.1	341.7	368.3	383.8	410.1
Other non-interest bearing liabilities	52.7	52.0	59.3	60.0	76.4	129.4	234.2	232.9	262.7	283.8
Total Liabilities & Capital	**2,189.3**	**2,239.3**	**2,219.8**	**2,312.6**	**2,667.2**	**2,829.5**	**3,673.1**	**3,901.8**	**3,966.1**	**4,103.8**
Enterprise Value (EV)	1,330.5	1,503.0	1,827.0	1,829.4	1,317.4	2,324.1	5,184.7	3,270.6	3,069.6	2,916.6
Net debt/(Net cash)	455.4	311.2	411.2	502.2	672.9	473.7	577.9	511.8	294.8	124.2
Capital Employed incl. goodwill (avg.)	1,458.6	1,515.7	1,517.1	1,610.5	1,850.3	1,969.4	2,148.5	2,481.4	2,596.0	2,653.7
Cumulative goodwill (as of 1991)	131.3	85.3	82.2	75.2	74.6	76.6	77.5	77.5	77.5	77.5
Capital Employed (avg.)	1,332.4	1,407.4	1,433.3	1,531.8	1,775.5	1,893.9	2,071.4	2,403.9	2,518.5	2,576.2
Net working capital	545.9	526.6	544.3	604.6	788.8	632.7	888.5	1,027.1	1,009.6	1,080.4
Discounted value of leases	26.3	36.6	32.2	28.6	28.9	28.9	43.9	47.4	50.6	53.6
Adjusted equity	1,041.0	1,142.9	1,142.3	1,173.3	1,205.2	1,361.4	1,688.2	1,940.1	2,160.1	2,403.3

Per Share Data (EUR)	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Avg. no. of shares (m)	65.8	64.9	64.5	60.1	59.2	59.2	59.2	59.9	59.9	59.9
Eoy. no. of shares (m)	65.6	64.6	62.8	59.5	59.4	59.5	59.9	59.9	59.9	59.9
Avg. no. of shares fully diluted (m)	65.9	65.1	64.8	60.5	59.4	59.4	59.6	60.2	60.2	60.2
Enterprise Value (EV)	20.28	23.27	29.07	30.75	22.20	39.06	86.58	54.61	51.26	48.70
Net debt less FFA plus minorities	2.64	0.57	1.77	4.16	7.87	4.21	5.41	4.60	1.25	(1.31)
Sales	26.49	29.50	31.17	36.16	45.01	41.16	55.06	60.31	62.85	67.15
EBITDA	3.89	3.97	4.07	4.97	6.97	6.51	12.24	11.84	11.03	11.48
EBITA	2.25	2.31	2.35	2.98	4.16	4.15	9.32	8.70	7.83	8.24
EBIT	2.11	2.10	2.26	2.90	3.56	3.92	9.02	8.70	7.83	8.24
Net profit before extr. & amort. (EUR)	2.29	2.30	2.30	2.61	3.55	2.79	6.51	5.87	5.44	5.96
Net profit before extraordinaries (EUR)	2.15	2.09	2.21	2.54	2.94	2.56	6.21	5.87	5.44	5.96
Cash Flow (EUR)	3.92	3.96	4.02	4.61	6.35	5.15	9.43	9.01	8.64	9.20
Gross Dividend (EUR)	0.67	1.00	0.83	0.92	0.93	0.98	1.67	1.76	1.90	2.09
Book value (EUR)	13.86	16.37	16.87	18.46	19.05	21.59	26.90	31.10	34.78	38.84
Adjusted equity	15.86	17.69	18.18	19.72	20.31	22.88	28.19	32.40	36.07	40.13
Free Cash Flow	(0.96)	0.50	0.62	0.38	(0.04)	5.60	1.48	3.12	5.45	4.50
% change in EPS before extr. & amort.	74.88	0.76	(0.11)	13.68	35.68	(21.26)	133.05	(9.76)	(7.46)	9.71

Valuation	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
P/E (excl. extr. & amort.)	7.3	9.4	11.9	12.5	8.3	9.0	8.2	9.3	10.1	9.2
P/CF (x)	4.3	5.5	6.8	7.1	4.6	4.9	5.7	6.1	6.3	6.0
P/Book (x)	1.4	1.6	1.9	1.7	0.8	1.7	3.2	1.8	1.6	1.4
Dividend yield (%)	4.0	4.6	3.0	2.8	3.2	3.9	3.1	3.2	3.5	3.8
Free cash flow yield (%)	(7.2)	0.4	0.9	(0.5)	(2.5)	18.4	1.2	4.1	8.6	7.3
EV/Sales (x)	0.8	0.8	0.9	0.8	0.5	1.0	1.6	0.9	0.8	0.7
EV/EBITDA (x)	5.2	5.8	7.0	6.1	3.2	6.0	7.1	4.6	4.6	4.2
EV/EBITA (x)	9.0	10.0	12.1	10.2	5.3	9.5	9.4	6.3	6.5	5.9
EV/EBIT (x)	9.6	11.0	12.5	10.5	6.3	10.0	9.7	6.3	6.5	5.9
EV/Capital Employed (x)	1.0	1.1	1.3	1.2	0.7	1.2	2.5	1.4	1.2	1.1
EV/CE (incl. goodwill) (x)	0.9	1.0	1.2	1.1	0.7	1.2	2.4	1.3	1.2	1.1
Share price : High (EUR)	19.92	26.32	33.20	37.80	40.11	36.35	86.69	87.43		
Share price : Low (EUR)	14.50	18.47	23.12	28.15	14.82	12.62	33.67	52.37		
Share price : Average (EUR)	16.71	21.72	27.39	32.73	29.42	25.11	53.68	54.75	54.75	54.75
Share price : Year end (EUR)	19.58	26.32	31.57	30.67	16.11	36.17	85.90	54.75	54.75	54.75

Capital Efficiency/Solvability	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Sales/CE (incl.goodwill)	1.2	1.3	1.3	1.3	1.4	1.2	1.5	1.5	1.4	1.5
Sales/Fixed assets (x)	2.2	2.4	2.4	2.4	2.5	2.2	2.5	2.7	2.7	2.9
Sales/Net working capital (x)	3.2	3.6	3.7	3.6	3.4	3.9	3.7	3.5	3.7	3.7
Inventories/Sales (days)	87.9	66.4	67.0	64.7	70.0	53.7	56.8	58.8	57.8	57.8
Trade debtors/Sales (days)	80.7	67.5	72.5	73.5	66.2	71.8	86.6	82.6	78.6	78.6
Trade creditors/Sales (days)	52.6	35.7	41.4	38.9	34.8	37.0	38.2	37.2	37.2	37.2
CAPEX/Depreciation (%)	160.7	141.1	145.7	166.9	151.3	124.3	144.0	134.4	119.1	110.0
Equity/Total assets (%)	41.6	47.2	47.8	47.5	42.4	45.4	43.8	47.7	52.5	56.7
Net debt/Equity (%)	50.1	29.4	38.8	45.7	59.5	36.9	35.9	27.5	14.2	5.3
Interest cover (x)	6.3	4.8	5.5	5.2	5.4	4.0	9.5	8.0	8.4	11.4
Dividend payout (%)	29.1	43.2	35.3	34.8	26.4	35.3	25.9	30.0	35.0	35.0
ROCE (average) (%)	9.4	8.0	8.9	10.0	11.7	10.3	19.3	15.6	13.2	13.6
ROCE (incl. goodwill) (average) (%)	8.6	7.4	8.4	9.5	11.2	9.9	18.6	15.1	12.8	13.2

Operating Efficiency & Profitability ratios	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Sales per FTE employee ('000s)	161.4	178.9	169.2	155.4	165.3	139.0	163.2	176.3	181.9	191.2
Wage costs per FTE employee ('000s)	41.7	42.0	38.9	33.8	32.5	28.5	29.9	30.6	31.4	32.2
EBIT per FTE employee ('000s)	12.9	12.7	12.3	12.5	13.1	13.2	26.7	25.4	22.7	23.5
Gross margin (%)										
EBITDA margin (%)	14.7	13.4	13.0	13.7	15.5	15.8	22.2	19.6	17.5	17.1
Operating margin (%)	8.0	7.1	7.3	8.0	7.9	9.5	16.4	14.4	12.5	12.3
Net margin (%)	6.3	5.5	5.1	5.5	6.4	6.0	11.7	9.3	8.0	8.2
Tax rate (%)	15.5	25.0	16.0	14.3	15.8	20.4	27.8	28.0	29.0	29.0

Important disclosures

Issuer	Ticker	Price (EUR)
Bekaert	BEKB.BR	54.75

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Maarten Bakker - Equity Research Analyst

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27 June 2011 **ABN AMRO Bank N.V. Primary Equity Research Coverage: 105**

Historical equity recommendations and target price for Bekaert (EUR)

History of Target Prices

Date	Recommendation	Target Price
2/28/2011	BUY	EUR 93.00
11/10/2010	BUY	EUR 88.00
11/5/2010	BUY	EUR 88.33
8/2/2010	BUY	EUR 83.33
7/26/2010	BUY	EUR 57.67
7/23/2010	BUY	EUR 57.33
6/2/2010	BUY	EUR 55.33
5/12/2010	BUY	EUR 55.00
3/9/2010	BUY	EUR 51.67
1/7/2010	BUY	EUR 44.67
11/17/2009	BUY	EUR 42.33
11/16/2009	BUY	EUR 41.67
8/5/2009	BUY	EUR 37.33
4/7/2009	BUY	EUR 25.00

History of Recommendations

Date	Recommendation	Target Price
8/5/2009	BUY	EUR 37.33
5/8/2009	HOLD	EUR 25.00
4/7/2009	BUY	EUR 25.00

Source: ABN AMRO Bank Equity Research, FactSet

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