

Fortis Bank Nederland

Bekaert

Indy - Industrial, Diversified / Belgium

Target Price EUR 134.00

Expected performance (12 mth) 14.8%

BUY EUR 116.70 (Closing price 06-Jan-10)

Seeing further upside: price target lifted to EUR 134

7 January 2010

Analyst: Maarten Bakker

Fortis Bank (Nederland) N.V.

Tel: +31 20 527 23 32

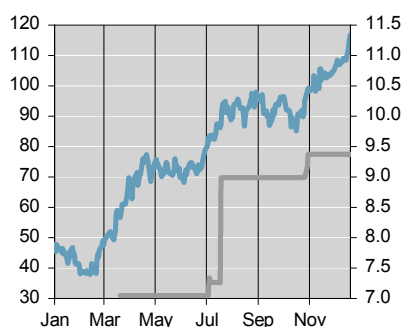
Email: maarten.bakker@nl.fortis.com

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 Fortis EPS est. 2010



Source: FactSet, Fortis Equity Research

Market capitalisation (EUR m)	2,308.7
No. of shares (m)	19.8
Free float	60.9%
1/3/12 mth perf. (%)	12.7/26.7/119.3
High/low 52 weeks (EUR)	116.70/37.88
Next results due	
Price/book value (x)	1.7
Volatility (β) (5yrs/)	
Reuters symbol	BEKB.BR
Bloomberg symbol	BEKB BB
Website	www.bekaert.com

The Bekaert stock continued to rally in recent months, supported among others by positive newsflow about economic growth in China. As the share price narrowed the gap to our former target price of EUR 127, we took the time to re-evaluate our stance towards the stock. We concluded that there is further upside potential to be had:

- The current valuation is still compelling at 12.5/10.9x P/E on our 2010/2011 forecasts. These multiples do not fully reflect the stock's appeal as a formidable play on emerging markets (where >70% of combined turnover is generated).
- We expect that the share price will continue to be supported by significant earnings momentum, which is underestimated by the market in our view. We highlight as the second booster to Bekaert's earnings a recovery of the mature EMEA and North America divisions (while factoring in the assumption that Asia Pacific EBIT comes off somewhat, which risks being overly conservative in view of the growth potential). Our EPS forecasts for 2009/2010/2011 are 10/12/10 percent ahead of the consensus. As such, we believe that trading in the Bekaert stock may be supported by earnings upgrades from other brokers.
- While we leave our earnings forecasts unchanged, we increase our price target as a result of time progression. Our former price target of EUR 127 was the outcome of a returns-based valuation (EV/CE = ROCE/WACC) on 2010 forecasts. We now also factor in the 2011 outcome of EUR 141, and set the price target at the average of EUR 134 (15% upside).

We continue to rate the stock BUY.

Year to December	2007	2008	2009e	2010e	2011e
Sales (EUR m)	2,173.6	2,662.4	2,438.7	2,616.5	2,803.6
EBITDA (EUR m)	298.6	412.2	352.1	409.0	441.1
Net profit excl. extr. & amort. (EUR m)	157.2	209.9	140.8	185.4	211.2
Net profit (EUR m)	152.9	174.1	140.8	185.4	211.2
EBITDA margin (%)	13.7	15.5	14.4	15.6	15.7
ROCE (incl. goodwill) (%)	9.5	11.2	8.6	10.6	11.1
Net gearing (%)	45.7	59.5	39.7	33.6	25.2
EPS before extr. & amort. (EUR)	7.84	10.64	7.12	9.37	10.68
EPS (EUR)	7.63	8.83	7.12	9.37	10.68
DPS (EUR)	2.76	2.80	2.85	3.75	4.27
% change sales	8.2	22.5	(8.4)	7.3	7.2
% change EPS (excl. extr. & amort.)	13.7	35.7	(33.1)	31.7	13.9
EV/Sales	0.86	0.50	0.93	0.92	0.84
EV/EBITDA	6.3	3.2	6.4	5.9	5.3
P/E (excl. extr. & amort.)	12.5	8.3	10.6	12.5	10.9
P/E	12.9	10.0	10.6	12.5	10.9
PE/growth (excl. extr.)	1.2	0.5	nmf	4.1	0.5
Free cash flow yield (%)	(0.5)	(2.5)	19.7	3.2	5.9

Emerging markets appeal

>70% of sales from emerging markets

Bekaert has the most emerging markets exposure in the universe of Benelux listed companies (over 70% of its turnover is generated in Eastern Europe, Latin America and Asia). The 1H09 results proved remarkably resilient thanks to the Asia Pacific and Latin America divisions (whose combined EBITE increased by 16% to EUR 136m in 1H09). It is also thanks to the emerging markets business that Bekaert was able to report a y-o-y increase of volume for the group already in 3Q09.

China is not only about tyre cord, as ...

Asia Pacific

We would like to caution against the perception that Bekaert's Asia Pacific division is only about China and tyre cord. Besides China, which represents about 75-80% of divisional revenue, Bekaert has promising operations in India and Indonesia. In China, about 60% of revenue is related to tyre cord, in which market Bekaert holds a ~34% market share (followed by Xingda a ~30% market share). The prospects for tyre cord are healthy, as automotive is a structural growth market. While this initially fuels demand for OEM tyres, the growing pool of vehicles also require replacement tyres a couple of times during their lifetime.

... Bekaert is also successful in the utility segment ...

In China, Bekaert is also successful with a range of products in the energy and utility segment, such as sawing wire (for manufacture of photovoltaic cells), wire used for timing belts in windmills, profiled wires to reinforce flexible pipes (through which oil and gas are brought to the surface from offshore oil fields) and galvanised armouring wire for submarine cables (for telecommunications and energy transmission). Bekaert indicates that it earns very good margins on these products.

... and has ambitions to further expand capacity for other products together with Ansteel

We expect Bekaert to further expand capacity in China in the years to come. A few months ago, the Steel Business Briefing website reported that Bekaert and Ansteel have signed a memorandum of understanding to co-invest in the longer run in an additional 500,000 tonnes of capacity to diversify into different downstream wire products (to put this in perspective, we point out that Bekaert currently operates 325,000 tonnes of steel cord capacity on its own). It was said that the two companies will first set up a JV for the production of 100,000 tonnes of galvanized wire. We would expect Bekaert to communicate about these possible expansion plans in China once more details are known.

India is a strategically important growth market that should not be overlooked

One should not overlook Bekaert's operations in India. While small at the moment, they hold promising potential. Bekaert has three plants in India. One facility houses manufacturing for tyre cord, hose reinforcement wire, and advanced filters. A carding wire plant supplies tops to the textile industry. The company also embarked upon two projects that will come on stream in the next few years. Firstly, it has set up a 50/50 joint venture with Indian steel company Mukand, which is investing in a new facility for the production of stainless steel wires (to be used globally in components for the automotive industry and other industrial applications). Phase one of this project was commissioned in early 2009. Secondly, Bekaert is investing EUR 15m in the production of flat and shaped wires for the local automotive industry (spring wire, clutch and valves wires, wiper components and many more) and for the offshore industry (wire for flexible pipes supplied to the Technip Group). This facility is expected to be gradually built up by 2012.

Ready to capitalise in India's automotive boom

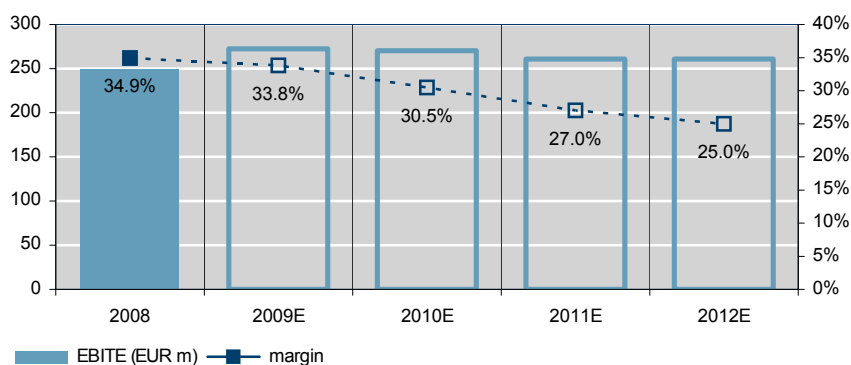
Bekaert has positioned itself well to capitalise on the strong growth envisaged for India's automotive industry. The Indian government is investing heavily in road construction, which stimulating transportation. Car production in India is projected to triple by 2015. The Automotive Mission Plan 2006-2016 aims at doubling the contribution of the automotive sector in Indian GDP (from 5 to 10%) by taking turnover to USD 145bn in 2016. Tyre radialisation has been slow to develop in the truck and bus segment, but it is picking up fast (as it increased from 4% in 2005 to 16% now). Michelin recently announced to invest

USD 870m in Greenfield capacity to produce truck tyres in India. Being currently the only producer of tyre cord in India, Bekaert stands a good chance of becoming a supplier to Michelin.

Preferring to err on the downside, we have factored in a modest EBIT decline for the Asia Pacific division, which assumption could turn out to be overly conservative

The recently implemented shift in Bekaert's reporting from a functional setup to a geographic breakdown revealed a surprisingly high EBIT margin for the Asia Pacific division of over 30%. Bekaert considers this a sustainable margin for the next couple of years. Although the company expects the margin to come off in the longer run, absolute EBIT should still increase on the back of growth. As we can not help feeling a bit uneasy and as we prefer to err on the downside, we have factored in both margin erosion and a modest decline of absolute EBIT in the coming years (see the chart below). However, considering the healthy growth prospects discussed earlier, we could be proven too conservative by Bekaert.

Profitability Asia Pacific division (EUR m)



Source: company data and Fortis Bank Nederland estimates

A strong position in Latin America, where GDP prospects are healthy

Latin America

With operations in Brazil, Chile, Peru, Ecuador, Colombia and Venezuela, the Latin America region accounts for 14% of *consolidated* revenue, or even for 37% of *combined* revenue (including the three JVs with ArcelorMittal in Brazil). The company enjoys a strong position with high markets shares in the aforementioned countries. Bekaert offers its complete range of products in Latin America, with a relatively strong emphasis on construction and agriculture-related markets. The emerging markets in Latin America still offer good growth potential for Bekaert's commodity products (steel consumption per capita is still only a fifth of that in the Western world). Bekaert's Brazilian JVs with ArcelorMittal were off to a slow start of 2009, but they saw a gradual recovery in demand from 2Q09 onwards. In 3Q09, the Latin America division achieved a 9% sequential increase of sales. The operations in Brazil may benefit from an impulse from investments related to the World Cup Football in 2014 and the Olympic Games in 2016. Bekaert is particularly optimistic about the economic prospects in Colombia. We note furthermore that the merger of the former JV activities at the end of 2008¹ should see benefits in the fields of cost and capex optimisation and improved market approach in the coming years.

¹ In October 2008, Bekaert agreed with its Ecuadorean partner (the Kohn family) to merge their wire operations covering four northern countries of Latin America: Venezuela (100% owned by Bekaert), Colombia (87.5% owned by Bekaert and 12.5% by the partner), Ecuador (50/50 joint venture between Bekaert and the partner) and Peru (previously a 39.9% investment held 50/50 by Bekaert and the partner). Bekaert holds 80% of the shares in the newly established holding company.

Contribution Latin America to consolidated EBIT and through JV (EUR m)

	2008	2009E	2010E	2011E	2012E
EBITE Latin America division	15.7	21.1	28.4	38.0	41.9
margin	8.9%	6.4%	8.0%	10.0%	10.5%
Share in the results of JVs (mostly in Latin America)	56.1	37.2	40.8	47.0	51.6

Source: company data and Fortis Bank Nederland estimates

Ready for a take off Russian automotive industry

Russia

In 2008, Bekaert made the decision to build in phases a Greenfield facility to produce tyre cord for the Russian market (in Lipetsk). EUR 97m is to be invested in phases until 2013. The first phase of 15,000 tonnes capacity is planned to be completed in 2010. In phase two, the production of semi-finished products is seen as starting from 2011 (imported in the meantime from its facility in the Czech Republic). Phase three is the doubling of capacity to 30-40,000 tonnes by 2013, provided that market circumstances justify doing so. Currently, the Russian tyre cord market has a size of only about 75,000 tonnes. But, the local automotive market holds promising potential, according to Bekaert (with the tyre radialisation rate in Russia still at only 70-80%). We note that Bekaert already has a sizeable customer base in Russia, which it has already been supplying for many years from its plants in Eastern Europe.

Mature markets become 2nd earnings booster

Earnings recovery in mature markets seen as second booster to Bekaert's earnings

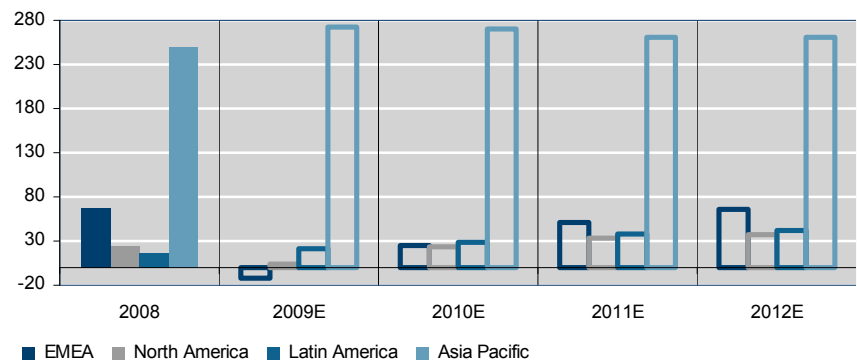
While we have pencilled in only modest growth in the EBIT contribution from Bekaert's emerging operations (increasing profitability Latin America assumed offset by modest decline for Asia Pacific), we expect a cyclical recovery for the EMEA and North America divisions to become the second booster of Bekaert's earnings going forward. In the economic downturn, EMEA and North America profitability suffered from an underutilisation of capacity. In order to counter this effect, Bekaert entered the market with additional volumes of some basic products from 2Q09 onwards. The company also closed two factories in Belgium at the end of 2008, of which the savings (not quantified by Bekaert) partly filter through in 2H09 and 2010. A major swing factor will be the fading out of the EUR 40m hit to 1H09 EBIT related to FIFO value adjustments of inventories (this impacted mostly the EBIT of EMEA and to a lesser degree also North America). We have modelled profitability of the EMEA and North America divisions to gradually return to pre-crisis levels from 2012 onwards.

Profitability EMEA and North America divisions (EUR m)

	1H08	2H08	2008	1H09	2H09E	2009E	2010E	2011E	2012E
EBITE EMEA	52.7	15.1	67.8	(20.6)	8.4	(12.2)	24.7	51.1	65.9
margin	8.6%	2.7%	5.8%	-5.0%	2.1%	-1.5%	2.9%	5.7%	7.0%
EBITE North America	21.0	3.6	24.6	(4.5)	8.4	3.9	23.3	33.2	37.4
margin	7.3%	1.1%	4.1%	-1.7%	3.7%	0.8%	4.5%	6.0%	6.5%

Source: company data and Fortis Bank Nederland estimates

Divisional EBITE forecasts (EUR m)



Source: company data and Fortis Bank Nederland estimates

EPS forecasts >10% ahead of consensus

Our EPS forecasts for 2009/2010/2011 are 10/12/10 percent ahead of the JCF consensus, which makes us believe that trading in the Bekaert stock may be supported by earnings upgrades from other brokers.

Fortis Bank Nederland forecasts versus consensus

	Sales (EUR m)			Sales growth			EBIT (EUR m)			EBIT margin			EPS (EUR)		
	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E
Fortis Bank Nederland	2,439	2,617	2,804	-8.4%	7.3%	7.2%	214	269	299	8.8%	10.3%	10.7%	7.12	9.37	10.68
Relative to consensus	0%	3%	3%				11%	17%	13%				10%	12%	10%
Consensus (JCF):															
average	2,428	2,552	2,719	-8.8%	5.1%	6.6%	192	231	264	7.9%	9.0%	9.7%	6.45	8.34	9.71
high	2,479	2,618	2,804	-6.9%	5.6%	7.1%	214	269	309	8.6%	10.3%	11.0%	7.12	9.37	10.68
low	2,401	2,483	2,646	-9.8%	3.4%	6.6%	163	186	224	6.8%	7.5%	8.5%	5.65	6.75	8.46
no. of estimates	8	8	7				8	8	7				9	9	8

Source: Fortis Bank Nederland estimates and JCF consensus data

For FY2009, we forecast group EBIT of EUR 229.1m, which implies an improvement from EUR 85.8m in 1H09 to EUR 143.3m (+9.1% y-o-y). The sequential improvement (EUR 57m) is attributable to the fading out of the FIFO hit (EUR 40m in 1H09) and a seasonally better H2 for the Asia Pacific operations (an improvement of divisional EBIT from EUR 128.0m in 1H09 to EUR 144.3m in 2H09 – +9.1% y-o-y). Our FY2009 EBIT forecast of EUR 214m is 11% ahead of the consensus, which implies that we are even 19% higher regarding 2H09.

For 2010, we forecast a 24% increase of group EBIT to EUR 284.3m. This represents a EUR 55m improvement on our forecast for FY2009, of which EUR 40m should already be secured by the fading out of the FIFO hit. Our EBIT forecast for 2010 is 17% ahead of the consensus.

P&L Bekaert (EUR m)

	2007	1H08	2H08	2008	1H09	2H09E	2009E	2010E	2011E
EMEA		612	556	1,168	410	403	813	853	905
North America		289	316	605	264	227	490	522	553
Latin America		84	93	177	160	170	330	355	380
Asia Pacific		318	395	713	367	439	806	886	966
<i>Consolidated sales</i>	2,174	1,303	1,359	2,662	1,200	1,239	2,439	2,617	2,804
% chg.	8.2%	22.3%	22.6%	22.5%	-7.9%	-8.9%	-8.4%	7.3%	7.2%
organic	8.0%	20.0%	15.5%	17.7%	-20.6%	-12.2%	-16.3%	7.3%	7.2%
fx	-2.3%	-5.3%	3.1%	-1.0%	6.9%	-2.5%	2.1%	0.0%	0.0%
consolidation	2.5%	7.6%	4.1%	5.8%	5.8%	5.8%	5.8%	0.0%	0.0%
EBITDA€	310	243	253	496	152	215	367	424	456
margin	14.3%	18.6%	18.6%	18.6%	12.7%	17.4%	15.1%	16.2%	16.3%
% chg.	11.2%	63.3%	56.6%	59.8%	-37.4%	-15.0%	-26.0%	15.5%	7.6%
EBITE EMEA		53	15	68	(21)	8	(12)	25	51
margin		8.6%	2.7%	5.8%	-5.0%	2.1%	-1.5%	2.9%	5.7%
% chg.			0.0%	0.0%	-139.1%	-44.3%	-118.0%	nmf	106.5%
EBITE North America		21	4	25	(5)	8	4	23	33
margin		7.3%	1.1%	4.1%	-1.7%	3.7%	0.8%	4.5%	6.0%
% chg.			0.0%	0.0%	-121.4%	133.9%	-84.1%	495.1%	42.3%
EBITE Latin America		11	5	16	8	13	21	28	38
margin		12.9%	5.3%	8.9%	5.3%	7.5%	6.4%	8.0%	10.0%
% chg.			0.0%	0.0%	-22.2%	159.8%	34.6%	34.4%	33.8%
EBITE Asia Pacific		107	143	249	128	144	272	270	261
margin		33.5%	36.1%	34.9%	34.9%	32.9%	33.8%	30.5%	27.0%
% chg.			0.0%	0.0%	20.2%	1.2%	9.3%	-0.7%	-3.5%
Other		(28)	(35)	(63)	(25)	(31)	(56)	(62)	(69)
Total EBITE	186	163	131	294	86	143	229	284	314
margin	8.6%	12.5%	9.7%	11.1%	7.2%	11.6%	9.4%	10.9%	11.2%
% chg.	14.5%	80.3%	36.8%	57.9%	-47.3%	9.1%	-22.1%	24.1%	10.5%
Non-recurring items	(12)	(18)	(66)	(84)	(8)	(7)	(15)	(12)	(12)
EBIT	175	146	65	210	79	135	214	269	299
Net financial charges	(41)	(22)	(27)	(49)	(31)	(24)	(54)	(45)	(41)
EBT	134	124	38	161	48	112	160	224	258
Taxes as % of EBT	(19) 14.3%	(26) 20.6%	(0) 0.1%	(26) 15.8%	(13) 27.5%	(20) 18.2%	(34) 21.0%	(49) 22.0%	(59) 23.0%
Share in results joint ventures	47	36	20	56	17	20	37	41	47
Result discontinued operations	0	0	0	0	0	0	0	0	0
Minority interests	(9)	(7)	(11)	(18)	(8)	(15)	(23)	(30)	(34)
Net profit continuing operations	153	127	48	174	44	97	141	185	211
% chg.	7.1%	73.9%	-40.0%	13.9%	-65.1%	101.1%	-19.1%	31.7%	13.9%
EPS basic (EUR)	7.63	6.44	2.44	8.83	2.24	4.88	7.12	9.37	10.68
% chg.	14.8%	78.4%	-39.0%	15.7%	-65.2%	100.4%	-19.4%	31.7%	13.9%
EPS fully diluted (EUR)	7.58	6.38	2.43	8.79	2.24	4.88	7.11	9.36	10.67
% chg.	14.6%	78.2%	-38.8%	16.0%	-64.9%	101.0%	-19.2%	31.7%	13.9%
DPS	2.76			2.80			2.85	3.75	4.27
pay out	35.8%			31.8%			40.0%	40.0%	40.0%

Source: company data and Fortis Bank Nederland estimates

Price target raised on time progression

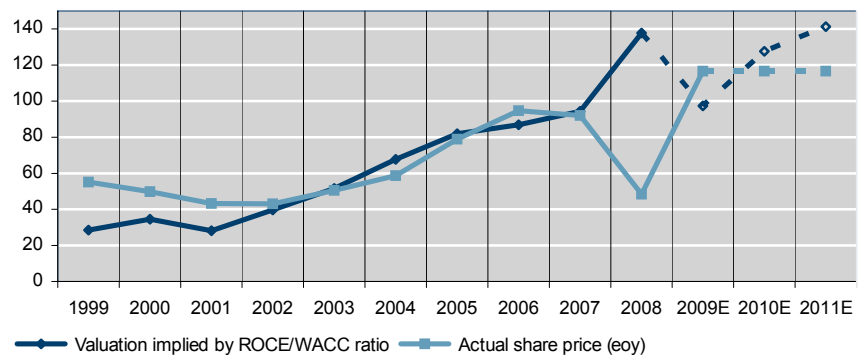
Despite the recent share price run, Bekaert still trades at a compelling valuation

Based on our 2010/2011 forecasts, the Bekaert stock trades at 12.5/10.9x P/E, 5.7/5.2x EV/EBITDA² and 8.5/7.5x EV/EBIT². We regard these multiples compelling in view of Bekaert's emerging market growth potential, the earnings recovery potential of the mature operations and the solid balance sheet (1.3x net debt/EBITDA end 2009).

Returns-based valuation approach yields EUR 127 on 2010 numbers and EUR 141 on 2011 numbers

We assess Bekaert's fair value by means of a returns-based approach, which is founded on the intuitive principle that the EV/Capital Employed valuation should be consistent with the company's capacity to create value as measured by the ROCE/WACC ratio³. This methodology yields an outcome per share of EUR 127 on our 2010 forecasts and EUR 141 on our 2011 forecasts. 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: Fortis Bank Nederland

Price target raised from EUR 127 to EUR 134

Previously, our price target was solely based on the 2010 outcome. Due to time progression, we now also factor in the 2011 outcome (as we assume the market to look about a year forward). Taking the average gives us our new price target of EUR 134, which implies a realistic P/E of 14.3/12.6x on our 2010/2011 forecasts.

² Our calculation of EV includes the market value of Bekaert's JVs and associates as estimated by us.

³ - ROCE/WACC * Capital Employed = Enterprise Value
 - Enterprise Value +/- net debt +/- pension deficit +/- minority interests + financial fixed assets + market value JVs & associates = Equity Value

P & L Statement (EUR m) Year to December	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e
Net sales	1,863.5	1,797.0	1,741.9	1,914.3	2,009.6	2,173.6	2,662.4	2,438.7	2,616.5	2,803.6
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personnel costs	(548.7)	(506.9)	(450.3)	(449.9)	(462.0)	(472.6)	(524.2)	(525.3)	(547.7)	(570.9)
Other operating costs										
EBITDA	225.8	239.1	255.6	257.4	262.2	298.6	412.2	352.1	409.0	441.1
Depreciation	(149.4)	(127.3)	(107.6)	(107.4)	(110.7)	(119.7)	(165.9)	(138.0)	(139.7)	(142.0)
EBITA	76.3	111.8	148.0	150.0	151.4	178.9	246.3	214.1	269.3	299.1
Reported provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	(12.1)	0.0	(9.0)	(13.7)	(5.5)	(4.3)	(35.8)	0.0	0.0	0.0
EBIT	64.2	111.8	139.0	136.3	145.9	174.6	210.5	214.1	269.3	299.1
Net financials	(130.1)	(43.0)	(20.5)	(15.3)	(31.0)	(41.0)	(49.2)	(54.0)	(45.3)	(41.2)
Profit Before Taxes (PBT)	(65.9)	68.8	118.5	121.0	114.9	133.6	161.2	160.1	224.1	257.9
Taxes	7.2	(8.2)	(18.4)	(30.3)	(18.4)	(19.1)	(25.5)	(33.6)	(49.3)	(59.3)
Income from associates	19.1	33.5	53.5	56.9	51.0	47.1	56.1	37.2	40.8	47.0
Minorities	(6.7)	(7.5)	(12.3)	(12.0)	(4.8)	(8.7)	(17.7)	(22.9)	(30.2)	(34.4)
Net profit before extraordinary	(46.3)	86.7	141.3	135.7	142.8	152.9	174.1	140.8	185.4	211.2
Extraordinary items	0.0	0.0	26.3	54.2	0.0	0.0	0.0	0.0	0.0	0.0
Net reported profit	(46.3)	86.7	167.6	189.9	142.8	152.9	174.1	140.8	185.4	211.2
% change in Sales	3.8	(3.6)	(3.1)	9.9	5.0	8.2	22.5	(8.4)	7.3	7.2
% change in EBITDA	8.8	5.9	6.9	0.7	1.8	13.9	38.0	(14.6)	16.2	7.8
% change in EBITA	22.5	46.5	32.4	1.3	1.0	18.1	37.7	(13.0)	25.8	11.1
% change in PBT	ns	ns	72.1	2.1	(5.0)	16.3	20.7	(0.7)	39.9	15.1
% change in Net profit before extraordinary	ns	ns	63.0	(3.9)	5.2	7.1	13.9	(19.1)	31.7	13.9

Cash Flow Statement (EUR m)	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e
EBITDA	225.8	239.1	255.6	257.4	262.2	298.6	412.2	352.1	409.0	441.1
Change in provisions excluding tax provisions	5.3	(31.2)	(0.6)	(15.4)	(12.3)	(8.9)	26.2	(1.4)	0.0	0.0
Change in net working capital	39.5	(18.6)	(112.6)	(32.3)	(31.9)	(41.9)	(162.4)	195.4	(61.8)	(40.2)
Gross operating cash flow	270.5	189.3	142.4	209.8	217.9	247.8	276.0	546.2	347.3	400.9
Taxes paid	(13.1)	(18.5)	(32.9)	(25.5)	(16.8)	(24.9)	(27.5)	(33.6)	(49.3)	(59.3)
Capex	(84.9)	(118.1)	(172.9)	(151.6)	(161.3)	(199.8)	(251.1)	(172.2)	(185.5)	(171.2)
Free cash flow	172.5	52.7	(63.3)	32.7	39.8	23.1	(2.6)	340.4	112.5	170.4
Net interest received	(26.7)	(18.2)	(16.0)	(14.8)	(22.0)	(30.8)	(31.5)	(46.2)	(37.4)	(33.4)
Other	19.7	17.2	75.5	96.6	(25.4)	42.1	24.2	(49.1)	12.7	16.0
Acquisitions	(5.5)	(33.9)	(16.9)	(21.2)	(42.7)	(14.7)	(44.2)	0.0	0.0	0.0
Divestments	3.1	5.7	0.1	86.5	0.0	4.2	0.7	0.0	0.0	0.0
Share issues/buybacks	0.0	(2.2)	(8.8)	(24.3)	(56.1)	(111.0)	(19.7)	0.0	0.0	0.0
Dividend (adj. stock dividend)	(43.1)	(44.9)	(45.3)	(52.2)	(74.1)	(57.2)	(62.2)	(55.4)	(56.3)	(74.2)
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	(120.9)	32.5	77.4	20.6	39.1	136.4	180.4	(189.7)	(31.5)	(78.8)
Change in cash & cash equivalents	(0.9)	8.8	2.7	123.8	(141.5)	(7.9)	45.1	0.0	0.0	0.0

Balance Sheet (EUR m)	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e
Net intangible fixed assets	127.1	119.5	118.4	125.4	134.5	122.0	111.5	101.7	92.9	85.0
Net tangible fixed assets	777.6	757.6	791.6	799.8	824.2	917.6	1,070.7	1,174.6	1,229.2	1,266.3
Financials fixed assets (FFA)	269.9	303.7	331.1	325.5	348.6	303.4	247.7	252.3	260.5	269.9
Inventories	311.8	322.6	419.3	348.3	368.8	385.4	510.5	387.5	422.9	453.2
Trade debtors	311.4	307.7	385.2	354.2	398.9	437.7	483.2	427.6	466.0	499.3
Other debtors	52.1	45.5	44.9	63.4	63.7	73.1	125.3	106.0	124.8	125.8
Cash & securities	72.2	81.1	98.9	222.7	81.2	73.2	118.3	118.3	118.3	118.3
Total Assets	1,922.1	1,937.6	2,189.3	2,239.3	2,219.8	2,312.6	2,667.2	2,568.1	2,714.6	2,817.8
Shareholder's equity	758.4	790.8	909.7	1,057.5	1,060.1	1,098.2	1,130.6	1,216.0	1,345.1	1,482.1
Other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	44.3	43.3	48.8	51.1	48.9	48.4	41.8	55.5	73.6	94.2
Provisions	413.9	361.5	373.0	357.5	331.4	298.8	373.4	372.1	372.1	372.1
Long-term interest bearing debt	324.3	312.3	242.3	288.3	274.4	322.5	288.1	186.6	155.1	76.3
Short-term interest bearing debt	146.7	176.6	312.0	245.6	218.0	253.0	503.1	415.0	415.0	415.0
Trade creditors	184.9	191.4	250.8	187.4	227.8	231.7	253.8	253.9	279.6	299.6
Other non-interest bearing liabilities	49.5	61.6	52.7	52.0	59.3	60.0	76.4	69.1	74.2	78.5
Total Liabilities & Capital	1,922.1	1,937.6	2,189.3	2,239.3	2,219.8	2,312.6	2,667.2	2,568.1	2,714.6	2,817.8
Enterprise Value (EV)	1,225.1	1,220.3	1,330.5	1,525.9	1,863.3	1,875.6	1,333.8	2,265.8	2,414.7	2,356.5
Net debt/(Net cash)	398.8	407.9	455.4	311.2	411.2	502.2	672.9	483.2	451.8	372.9
Capital Employed incl. goodwill (avg.)	1,529.7	1,383.0	1,458.6	1,515.7	1,517.1	1,610.5	1,850.3	1,970.8	1,976.4	2,067.0
Cumulative goodwill (as of 1991)	113.0	121.1	131.3	85.3	82.2	75.2	74.6	74.6	74.6	74.6
Capital Employed (avg.)	1,410.5	1,266.0	1,332.4	1,407.4	1,433.3	1,531.8	1,775.5	1,896.2	1,901.8	1,992.4
Net working capital	440.9	422.9	545.9	526.6	544.3	604.6	788.8	598.1	659.9	700.1
Discounted value of leases		29.6	26.3	36.6	32.2	28.6	28.9	31.6	33.8	35.8
Adjusted equity	871.4	911.9	1,041.0	1,142.9	1,142.3	1,173.3	1,205.2	1,290.6	1,419.6	1,556.7

Per Share Data (EUR)	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e
Avg. no. of shares (m)	22.1	22.1	21.9	21.6	21.5	20.0	19.7	19.8	19.8	19.8
Eoy. no. of shares (m)	22.1	22.1	21.9	21.5	20.9	19.8	19.8	19.8	19.8	19.8
Avg. no. of shares fully diluted (m)	22.2	22.1	22.0	21.7	21.6	20.2	19.8	19.8	19.8	19.8
Enterprise Value (EV)	55.38	55.29	60.83	70.87	88.95	94.58	67.42	114.53	122.06	119.11
Net debt less FFA plus minorities	7.83	6.68	7.92	1.71	5.32	12.47	23.60	14.48	13.39	9.97
Sales	84.13	81.27	79.46	88.49	93.51	108.47	135.02	123.27	132.26	141.71
EBITDA	10.19	10.81	11.66	11.90	12.20	14.90	20.90	17.80	20.68	22.30
EBITA	3.45	5.06	6.75	6.93	7.05	8.93	12.49	10.82	13.61	15.12
EBIT	2.90	5.06	6.34	6.30	6.79	8.71	10.67	10.82	13.61	15.12
Net profit before extr. & amort. (EUR)	(1.54)	3.92	6.86	6.91	6.90	7.84	10.64	7.12	9.37	10.68
Net profit before extraordinary (EUR)	(2.09)	3.92	6.44	6.27	6.64	7.63	8.83	7.12	9.37	10.68
Cash Flow (EUR)	5.20	9.68	11.76	11.87	12.05	13.82	19.06	14.09	16.43	17.85
Gross Dividend (EUR)	1.68	1.75	2.00	3.00	2.50	2.76	2.80	2.85	3.75	4.27
Book value (EUR)	34.28	35.83	41.59	49.12	50.61	55.38	57.15	61.46	67.99	74.92
Adjusted equity	39.39	41.32	47.59	53.08	54.54	59.17	60.92	65.23	71.76	78.69
Free Cash Flow	7.79	2.38	(2.89)	1.51	1.85	1.15	(0.13)	17.20	5.68	8.61
% change in EPS before extr. & amort.	ns	ns	74.88	0.76	(0.11)	13.68	35.68	(33.14)	31.70	13.92

Valuation	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e
P/E (excl. extr. & amort.)	nmf	10.6	7.3	9.4	11.9	12.5	8.3	10.6	12.5	10.9
P/CF (x)	8.5	4.3	4.3	5.5	6.8	7.1	4.6	5.3	7.1	6.5
P/Book (x)	1.3	1.4	1.4	1.6	1.9	1.7	0.8	1.8	1.7	1.6
Dividend yield (%)	3.8	4.2	4.0	4.6	3.0	2.8	3.2	3.8	3.2	3.7
Free cash flow yield (%)	14.6	2.2	(7.2)	0.4	0.9	(0.5)	(2.5)	19.7	3.2	5.9
EV/Sales (x)	0.7	0.7	0.8	0.8	0.9	0.9	0.5	0.9	0.9	0.8
EV/EBITDA (x)	5.4	5.1	5.2	5.9	7.1	6.3	3.2	6.4	5.9	5.3
EV/EBITA (x)	16.0	10.9	9.0	10.2	12.3	10.5	5.4	10.6	9.0	7.9
EV/EBIT (x)	19.1	10.9	9.6	11.2	12.8	10.7	6.3	10.6	9.0	7.9
EV/Capital Employed (x)	0.9	1.0	1.0	1.1	1.3	1.2	0.8	1.2	1.3	1.2
EV/CE (incl. goodwill) (x)	0.8	0.9	0.9	1.0	1.2	1.2	0.7	1.1	1.2	1.1
Share price : High (EUR)	50.90	50.70	59.75	78.95	99.60	113.40	120.32	109.05	116.70	
Share price : Low (EUR)	35.76	31.00	43.50	55.40	69.35	84.46	44.47	37.88	108.50	
Share price : Average (EUR)	44.32	41.40	50.13	65.17	82.18	98.18	88.25	75.32	116.70	116.70
Share price : Year end (EUR)	43.15	50.50	58.75	78.95	94.70	92.00	48.32	108.50	116.70	116.70

Capital Efficiency/Solvability	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e
Sales/CE (incl. goodwill)	1.2	1.3	1.2	1.3	1.3	1.3	1.4	1.2	1.3	1.4
Sales/Fixed assets (x)	2.4	2.4	2.2	2.4	2.4	2.4	2.5	2.1	2.1	2.2
Sales/Net working capital (x)	4.2	4.2	3.2	3.6	3.7	3.6	3.4	4.1	4.0	4.0
Inventories/Sales (days)	61.1	65.5	87.9	66.4	67.0	64.7	70.0	58.0	59.0	59.0
Trade debtors/Sales (days)	61.0	62.5	80.7	67.5	72.5	73.5	66.2	64.0	65.0	65.0
Trade creditors/Sales (days)	36.2	38.9	52.6	35.7	41.4	38.9	34.8	38.0	39.0	39.0
CAPEX/Depreciation (%)	56.8	92.8	160.7	141.1	145.7	166.9	151.3	124.8	132.8	120.6
Equity/Total assets (%)	39.5	40.8	41.6	47.2	47.8	47.5	42.4	47.3	49.5	52.6
Net debt/Equity (%)	52.6	51.6	50.1	29.4	38.8	45.7	59.5	39.7	33.6	25.2
Interest cover (x)	2.4	3.2	6.3	4.8	5.5	5.2	5.4	4.3	6.4	7.9
Dividend payout (%)	(108.8)	44.6	29.1	43.2	35.3	34.8	26.4	40.0	40.0	40.0
ROCE (average) (%)	4.8	7.8	9.4	8.0	8.9	10.0	11.7	8.9	11.0	11.6
ROCE (incl. goodwill) (average) (%)	4.4	7.1	8.6	7.4	8.4	9.5	11.2	8.6	10.6	11.1

Operating Efficiency & Profitability ratios	2002	2003	2004	2005	2006	2007	2008	2009e	2010e	2011e
Sales per FTE employee ('000s)	181.7	168.9	161.4	178.9	169.2	155.4	165.3	154.9	163.4	172.1
Wage costs per FTE employee ('000s)	53.5	47.6	41.7	42.0	38.9	33.8	32.5	33.4	34.2	35.0
EBIT per FTE employee ('000s)	6.3	10.5	12.9	12.7	12.3	12.5	13.1	13.6	16.8	18.4
Gross margin (%)										
EBITDA margin (%)	12.1	13.3	14.7	13.4	13.0	13.7	15.5	14.4	15.6	15.7
Operating margin (%)	3.4	6.2	8.0	7.1	7.3	8.0	7.9	8.8	10.3	10.7
Net margin (%)	(2.5)	3.4	6.3	5.5	5.1	5.5	6.4	5.2	6.7	7.1
Tax rate (%)	11.0	11.9	15.5	25.0	16.0	14.3	15.8	21.0	22.0	23.0

Important disclosures

Issuer	Ticker	Price (EUR)
Bekaert	BEKB.BR	116.70

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7 January 2010

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Historical equity recommendations and target price for Bekaert (EUR)**History of Target Prices**

Date	Recommendation	Target Price
17/11/2009	BUY	EUR 127.00
16/11/2009	BUY	EUR 125.00
5/8/2009	BUY	EUR 112.00
7/4/2009	BUY	EUR 75.00

History of Recommendations

Date	Recommendation	Target Price
5/8/2009	BUY	EUR 112.00
8/5/2009	HOLD	EUR 75.00
7/4/2009	BUY	EUR 75.00

Source: Fortis Equity Research, FactSet

Fortis Bank (Nederland) N.V.

Rokin 55 (visiting address)
P.O. Box 243
1000 AE Amsterdam
The Netherlands
Tel: +31 20 527 91 11

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