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Belgium / Metal technology
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# Bekaert

## Undervalued emerging markets play

**BRIC strategy leads better growth and FCF profile**

- The group's strategy is simple and clear: expanding steel cord capacity in regions where the underlying demand is strong such as China.
- Bekaert has the financial strengths to expand fast and aggressive, while its worldwide leadership in steelcord provides cost leadership.
- Thanks to its aggressive expansion the group takes significant market share and regained its market leadership in China.
- Growth profile improves. We expect that organically revenues should increase by 5.5% in 2007 and by 5% in 2008.
- In addition, we believe that Bekaert generates above average margins in the faster growing regions

**Good mix between expansion and returning cash to shareholders**

- Given its strong cash conversion, Bekaert added a second leg in its investing strategy: buying back its own share and optimizing its balance sheet.
- The group bought back and cancelled 8% of the outstanding shares over the past 6 months.
- Despite the Chinese expansion, the potential Russian acquisition and the share buy back; net debt to EBITDA ratio will only reach 1.6x at the end of 2007, leaving room for further action.

**Undervalued emerging market play**

- A combination of a DCF for Bekaert's activity and a DDM for the joint ventures, leads to a fair value for the group of EUR 122 per share.
- Bekaert is still trading at attractive multiples. The group offers a FCF yield of 7.3% in 2008 and 8% in 2009. On an EV/EBITDA basis, Bekaert trades at 7.1x 2007 and 6x 2008.
- At our EUR 122 target price, Bekaert would be trading at 8.2x EBITDA 2007 and 7x EBITDA 2008.
- We reiterate our Add rating and increase our price target to EUR 122 per share.

| Year end | Sales (m) | EBITDA (m) | Adj. profit (m) | EPS | CFS | Div. | EV/ EBITDA (*) | P/E (*) | Yield (*) |
|---|---|---|---|---|---|---|---|---|---|
| *12/03* | *1,797* | *236* | *103* | *4.66* | *9.96* | *1.75* | *6.1* | *10.8* | *3.5%* |
| *12/04* | *2,173* | *313* | *183* | *8.38* | *13.94* | *2.00* | *5.2* | *7.0* | *3.4%* |
| *12/05* | *1,914* | *257* | *149* | *6.91* | *11.87* | *3.00* | *6.8* | *11.4* | *3.8%* |
| *12/06e* | *2,010* | *268* | *148* | *6.88* | *12.29* | *2.50* | *7.4* | *13.8* | *2.6%* |
| 12/07e | 2,101 | 281 | 142 | 6.95 | 12.83 | 3.00 | 6.8 | 15.2 | 2.8% |
| 12/08e | 2,200 | 309 | 159 | 8.03 | 14.28 | 3.25 | 6.0 | 13.2 | 3.1% |
| 12/09e | 2,269 | 320 | 166 | 8.38 | 14.84 | 3.50 | 5.4 | 12.6 | 3.3% |

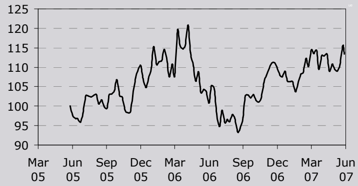
*(*) 2003-2006 figures of EV, P/E and Yield are based on end F.Y. price*

**Add**

| | |
|---|---|
| Price: | EUR 105.88 (26/06/07) |
| Target price: | 122.00 |
| Risk: | Medium |
| Reuters: | BERTt.BR |
| Bloomberg: | BEKB BB |
| Shares number (m): | 19.84 |
| Market cap. (m): | 2,100 |
| Net debt 12/07e (m): | 455 |
| Net debt/equity 12/07e: | 38% |
| H/L 1 year: | 109.74 - 69.35 |
| 1 year price perf.: | 36.8% |
| Diff. with DJ Euro Stoxx | 7.8% |
| Volume (sh./day): | 57,239 |
| Free Float | 56% |
| Family shareholders | 44% |

**Company description:**
Bekaert seeks sustainable profitable growth based on its two core competences : advanced metal transformation & advanced materials and coatings.

Bekaert relative to DJ Euro Stoxx (26/06/07)

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# Steelcord expansion in emerging markets

## China in your hands

Bekaert continues to invest a part of its FCF to expand its steelcord capacity in emerging markets. Bekaert increased its steelkcord capacity from 125,000 tonnes in 2005 to 200,000 tonnes at the end of 2006, which was 20,000 tonnes more than initially announced. We estimate that the Chinese expansion absorbed approximately EUR 100m of the total capex budget of EUR 161m in 2006.

Bekaert increased capacity gradually during 2006 to 200,000 tonnes resulting in revenue increase of 54% in 2006. The aggressive expansion program enabled Bekaert to win back market share. In Q4'06, Bekaert regained its n°1 position in the Chinese market with an estimated market share of 30%, before Xingda and Shougang, both quoted in Hong Kong. Xingda's tire cord sales volume increased by 19% in 2006 to 167,000 tonnes and revenue grew by 7.6%, indicating that its price level was down by approximately 11%.

Bekaert and Xingda are by far the largest independent steelcord producers in China with a combined market share of over 55%. Korean company KISS has approximately 70,000 installed steelcord capacity. Shougang, the n° 4 in China, is far behind with a capacity of 30,000 tonnes. Shougang recorded only a volumes growth of 3.4% in 2006, which resulted in a revenue decline of 4.4% given the lower selling prices.

**Exhibit 1 The building of road networks in China**

The building of road networks in China

Unit: 10,000km

| Type of road | 2002 | 2003 | 2004 | 2005 | Growth |
|---|---|---|---|---|---|
| Expressway | 2.51 | 2.97 | 3.43 | 4.10 | 63.2% |
| Grade 1 road | 2.75 | 2.99 | 3.35 | 3.84 | 39.7% |
| Grade 2 road | 19.71 | 21.19 | 23.17 | 24.64 | 25.0% |
| Grade 3 road | 31.51 | 32.48 | 33.53 | 34.47 | 9.4% |
| Grade 4 road | 81.80 | 84.24 | 88.10 | 92.13 | 12.6% |
| No grade road | 38.23 | 37.11 | 35.48 | 33.88 | -11.4% |
| Total | 176.52 | 180.98 | 187.07 | 193.05 | 9.4% |

Source: Bekaert presentation November 2006

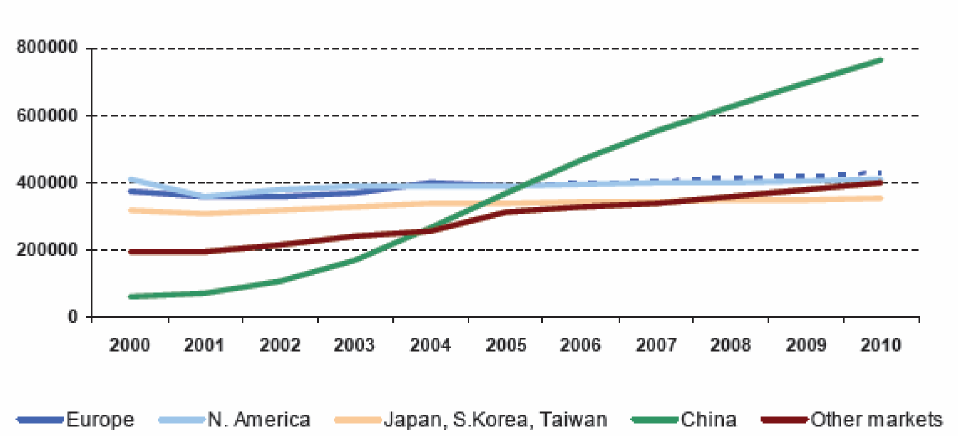
China became in 2006 clearly world's largest steelcord market. Bekaert expects that the market will further grow towards close to 750,000 tonnes in 2010. The construction of road network in China and the linked radialization of tires and is key for the development of the steelcord industry. In 2006, tire radialization for passenger cars amounted to 60% in China compared to 99% in the Western world. Within the truck segment, where Bekaert generates the majority of its revenues, tire radialization stands only at 45%.

In 2005 the road mileage up to Grade 2 reached 320,000 km, of which 41 000 km expressway. Between 2006 and 2010, another 24 000 km expressway will be built. Total future network of expressways is estimated at 85 000 km.

China is becoming a global tire production site and market. According to the National Bureau of Statistics of China, the countries automobile output was up by 27.6% in 2006 and total tire output rose by 11.4% to 189m units, of which radial steel reinforced tire represented 121m, up by 21% yoy. In 2010, the total production in China will reach 320 million tires.

China is becoming a major tire production base and Chinese tire makers are getting stronger in the international competition. Half of the passenger tires made in China are exported. In 2006, China's tire exports were up by 16.5% to 81.6m.

**Exhibit 2 China became largest steelcord market**




Source: Bekaert presentation November 2006

Bekaert clearly wants to remain the key driver of the Chinese capacity growth and indicated that it will further invest in 2007 to expand its capacity. Bekaert indicated to invest another EUR 100m in China in 2007. We expect that the group will step up its capacity over the 3 existing plants by 50,000 tonnes towards the end of the year. Given the expected growth of the market, this will likely not be the end of the group's capacity expansion plans in China.

Besides expanding its steelcord capacity, Bekaert is expanding its production capacity for half products, where the group has a clear competitive advantage. The company will sell a part of the new created capacity to Shougang.

In September 2006, Bekaert acquired an 18.85% stake in Shougang Concord Century Holdings, listed on the Hong Kong Stock Exchange. Bekaert subscribed to 250 million new shares, which represented an investment of EUR 16.5m. In the meantime, market value of the stake doubled towards EUR 32m.

With the acquisition of its stake in Shougang, Bekaert continues its strategy of investing its FCF in steel cord. Shougang is the number 4 in the Chinese steel cord market with a capacity of 30,000 tonnes. Shougang intends to increase its capacity towards the end of 2007 to 60,000 tonnes and to 80,000 tonnes in 2008. Bekaert will supply half products such as brass coated wires to support the expansion. In addition, Bekaert will market Shougang's steelcord in markets outside China. We believe that Bekaert took a smart decision to enter the capital of one of its key competitors. It could start a consolidation in the Chinese steel cord market, while both parties intend to create synergies in purchasing area. In addition, Bekaert will be present in the Board of Shougang.

## From Russia with love

Besides increasing its steelcord capacity in China, the group is entering the Russian market.

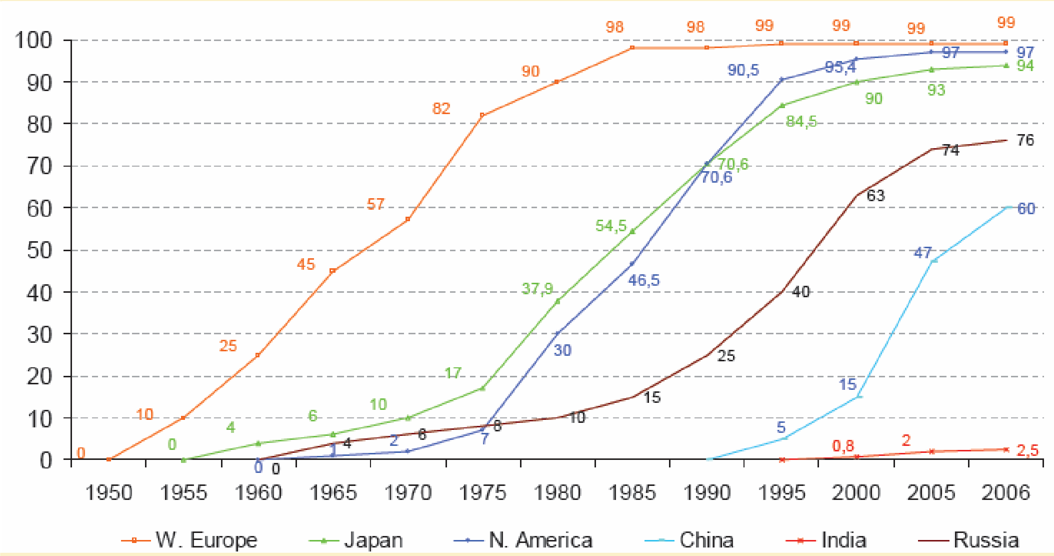
In December 2006, Bekaert signed a letter of intent to acquire Uralkord in Russia for an EV of EUR 47m. Final agreement is still pending as due diligence takes longer than expected. Bekaert issued already a press release in February stating it opened talks on exclusive cooperation with Uralkord, located in Magnitogorsk (1,700 km, east of Moscow). Uralkord has one of the most competitive steel cord production platforms in Russia and supplies around 25% of the Russian market.

Bekaert states that given the increasing importance of the steel industry and market demand for advanced wire products, the group wants to strengthen its position in Russia and have its own production capacity. Bekaert has been in Russia for years and has built up an extensive customer portfolio, but has no local production facilities. Bekaert supplies the Russian market mainly out of its plants in Central Europe.

Uralkord has a steel cord capacity of 15,000 to 20,000 tons. We estimate that a take-over could add approximately EUR 20m to the revenue line or 1% of total group revenues. We believe that capacity will be increased significantly in the coming years in order to cope with market growth and in order to optimise the size of the plant.

We believe that Bekaert makes a strategic important move at a reasonable price. First of all, Bekaert further invests in regions where the market for their key product is still growing strongly. Based on the growth potential in tire manufacturing for both passenger cars and trucks, demand for steel cord products in Russia is increasing in excess of 10%. The market is driven by demand from Russian tire manufacturers and by Bekaert's international steel cord customers that are expanding their tire production capacity in Russia (Michelin for example). The Russian market is far from mature as market share of steel reinforced tires amounts only to approximately 76%. This compares with to 99% for the West European and the US market and 60% for the Chinese market.

**Exhibit 3 Tire radicalisation around the world**




Source: Bekaert

Secondly, Russia could become strategically important for the group's raw material supply as important steel and wire rod producer. This could become strategically very important given the consolidation at the supplier side.

## India: the wild card

In addition the group has also a steel cord plant in India, a market where tire radialisation is almost non–existing. The group's capacity currently amounts only to 10,000 tonnes, but Bekaert is ready to expand capacity in India if market moves towards steel reinforced tires. As always, government road investments are key leading indicator for the steelcord market development.

# Underleveraged despite share buy back and Chinese expansion

Despite the historical high capex linked to the capacity step up in China, Bekaert's balance sheet is under-leveraged. Net debt amounted to EUR 378m at the end of 2006, representing a net debt to EBITDA ratio of 1.4x and a gearing ratio of 34%.

We expect a peak (EUR 170m) in the group's capex in 2007, gradually declining to EUR 150m in 2008. Although Bekaert's maintenance capex amounts to approximately EUR 80m, we expect that a run rate of EUR 100m to EUR 120m in the coming years.

**Exhibit 4 Capex evolution**

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007e | 2008e | 2009e |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Capex | 100 | 113 | 167 | 85 | 118 | 173 | 152 | 161 | 170 | 150 | 120 |
| in % of sales | 5.7% | 6.4% | 9.3% | 4.6% | -6.6% | -8.0% | -7.9% | -8.0% | -8.1% | -6.8% | -5.3% |

Source: Petercam estimates

In 2007, we expect Bekaert to generate a cash flow from operations of EUR 251m in 2007 and EUR 276m in 2008. Besides the potential Russian acquisition, which would only cost EUR 47m, we do not expect major external expansion. As a result, Bekaert's balance sheet will further de-gear.

Therefore the group decided at the end of 2006 to launch a share buy back. At year end 2006, Bekaert bought back and cancelled 636,656 shares or 3% of the outstanding capital. In February 2007, the company repurchased at EUR 94.20 on average and cancelled 546,779 shares or another 2.6% of its outstanding shares. At its AGM in May 2007, Bekaert stated that it repurchased another 563,881m shares at an average price of EUR 97.61. So over the past 6 months, Bekaert repurchased 1.74m shares or 8% of the capital. Of this amount, 1.1m were bought back in 2007 or 5.3% of the number of shares outstanding at the beginning of the year. Currently the group's total number of share amounts to 19.8m. The AGM renewed the group's mandate to buy back shares, so more repurchases can not be excluded.

Despite the Chinese expansion and the share buy back, net debt will only increase to an estimated EUR 455m at the end of 2007. This represents a net debt to EBITDA ratio of 1.6x and a gearing ratio of 36%. Without further share buy backs and acquisitions, net debt to EBITDA ratio and gearing ratio will fall back in 2008 to respectively 1.3x and of 30%. This is clearly below the group's gearing target of 50%.

**Exhibit 5 FCF available for shareholders**

| | 2006 | 2007e | 2007e | 2007e |
|---|---|---|---|---|
| EBIT | 145.9 | 161.3 | 184.7 | 191.9 |
| Non cash items | 109.4 | 120.0 | 124.0 | 128.0 |
| +/- Net WCR changes | (31.9) | (5.0) | (2.0) | (2.0) |
| + Dividends from associates | 35.2 | 35.9 | 36.7 | 39.9 |
| - Net interest charges | (22.0) | (23.4) | (24.3) | (22.2) |
| - Income taxes paid | (16.8) | (32.6) | (38.4) | (40.8) |
| - Capex | (161.3) | (170.0) | (150.0) | (120.0) |
| FCF to equity | 58.4 | 86.3 | 130.7 | 174.8 |

Source: Petercam estimates

# China & building materials drives strong Q1

Revenues in Q1 were up by 7% to EUR 514m which was 4% ahead of our forecasts. Organically revenues grew by 6% vs +3.1% expected. Key driver for this outperformance was once more China which posted a revenue growth of 49% vs +30% expected.

Advanced Wire revenues were up by 8% to EUR 437m compared to our forecast of EUR 426m. Besides on the ongoing strong performance in China, Building products surprised with a revenue increase of 23% vs +5% expected, while the Wire division in Europe confirmed its turnaround with a 22% revenue growth vs +7.5% forecasted. As expected, the US based Wire business remained weak and witnessed a 11% revenue drop (-16.5% exp). Revenues of Steelcord outside China posted revenues down by 6% (-4% exp). Revenues in Latin America were down by 1%, which sales growth offset by the negative impact of currencies. Wire products in Asia were up by a strong 22%.

Advanced materials revenues were up by 8% to EUR 47m compared to our EUR 36m forecast and includes now the stainless business which was previously reported within the Wire Europe division. Advanced Coatings recorded a revenues grew by 1% to EUR 31m vs EUR 30m expected.

# Conclusion

## Strategy improves growth profile,

The group's strategy is simple and clear: investing in steel cord, in which it is worldwide leader, in area's where the underlying market is growing. As a result, Bekaert is becoming more and more a play on the emerging markets. Including its equity consolidated companies, Latin America and Asia combined represent almost 50% of total revenues. We estimate that given the higher profitability, these emerging regions contribute more than 50% of profits.

The group's strategy results in an accelerating organic growth, mainly thanks to China, which is expected to represent 16% of consolidated revenues at the end of 2007. Bekaert's steelcord revenues in China grew by 54% in 2006 and we forecast a 36% growth in 2007 driven by further capacity expansion. In Q1, China posted an impressive 49% revenue growth. It is clear that the price pressure in the marketis by far offset by volume growth. Given its aggressive expansion, Bekaert is taking significant market share in China and regained its market leadership. Overall Bekaert recorded an organic revenue growth of 6% in Q1. We expect that organically revenues should increase by 5.5% in 2007 and by 5% in 2008.

In addition, we believe that Bekaert generates above average margins in the faster growing regions. In 2006, EBIT margins of the Latin American business reached 12.7% compared to 7.3% for the Bekaert consolidated business. Based on peer reporting, we believe that Bekaert's activity in China also generates above average margins. Xingda, the n°2 after Bekaert in China, reported a 24% EBIT margin in 2006. Xingda operates however 1 big plant in China, while Bekaert's capacity is split over 3 plants, which should lead to lower margins. A much smaller player like Shougang generated EBIT margins of 16.6% in 2006.

Bekaert will be providing half products in China to Shougang, which implies that Bekaert has clearly a cost advantage compared to competition. As a result, we believe that Bekaert is very well positioned in China. The group has the financial strengths to expand fast and aggressive, while its worldwide leadership in steelcord provides cost leadership as well. In addition, the linked up with Shougang via its 19% equity stake, give Bekaert more insight in the Chinese market and could be the precursor of a consolidation in the Chinese steelcord market.

## … leads to higher cash conversion …

Besides higher growth, Bekaert is benefiting from an increasing cash generation from the fast growing emerging regions. One of the weak points in the Bekaert investment case has always been that the strong growth in associates' profits was not translated in FCF growth at Bekaert since payout ratio at the associates over the past years fluctuated between 40% and 50%.

**Exhibit 6 Bekaert associates**

| Associates | 2003 | 2004 | 2005 | 2006 | 2007e | 2008e |
|---|---|---|---|---|---|---|
| Equity value Bekaert part | 201 | 220 | 238 | 238 | 250 | 262 |
| Net profit Bekaert part | 36.9 | 56.7 | 56.9 | 51.0 | 47.9 | 48.9 |
| Dividend to Bekaert | 18.6 | 22.8 | 43.6 | 35.2 | 35.9 | 36.7 |
| Payout ratio | 50% | 40% | 77% | 69% | 75% | 75% |
| ROE | 18.4% | 25.8% | 23.9% | 21.4% | 19.2% | 18.7% |

Source: Petercam estimates

In 2005, dividend from associates amounted to EUR 43.6m or 77% of the annual profits or EUR 2 per Bekaert share. In 2006, dividend from associates amounted to EUR 35.2m or 69% of their profits.

Given the very low debt level at the associates (USD 5m for Bekaert's part) and the change of ownership at Bekaert's joint venture partner (Mittal in stead of Arcelor), we believe that payout will remain at higher level than we have seen in the past years. We pencilled in a payout ratio of 70% for the next 3 years.

## … and creates shareholder value

Given its strong cash conversion, Bekaert added a second leg in its investing strategy: buying back its own share and optimizing its balance sheet, a strategy we applaud.

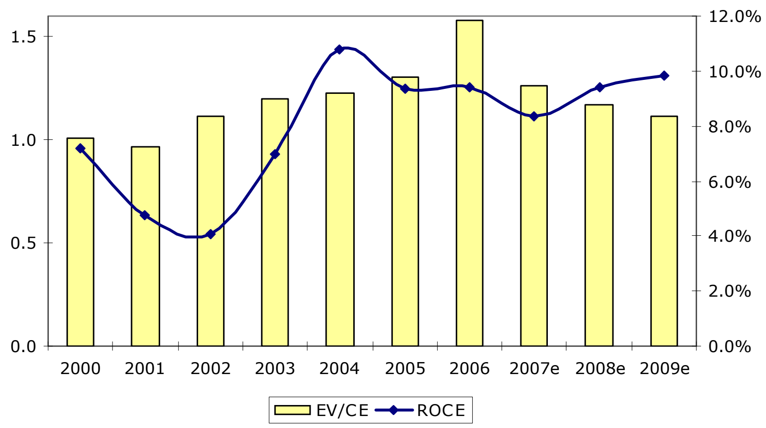
Bekaert's management has found the right mix between investing its profitable steelcord products and returning cash to shareholders. The group bought back and cancelled 8% of the outstanding shares over the past 6 months. In addition, underlying dividend was raised by 25% last year. The group targets a payout ratio of 40% of the coming years.

Despite the Chinese expansion, the potential Russian acquisition and the share buy back, net debt to EBITDA ratio will only reach 1.6x at the end of 2007. Without further share buy backs and acquisitions, net debt to EBITDA ratio and gearing ratio will fall back in 2008 to respectively 1.3x and of 30%. This is clearly below the group's gearing target of 50%, so more share buy backs would not surprise us. It is clear that the group has a substantial war chest for potential acquisitions if for instance the Chinese steelcord market would consolidate or if capacity expansion is needed in countries such as India where tire radialization is still non-existing.

Besides improving its cash conversion, management has been able to bring Bekaert's ROCE above the group's cost of capital over the past 4 years. Of course the group benefited from the strong cycle, but management's strategy of downscaling product lines where growth is not existing and profitability is under pressure, while speeding up the investments in regions (China, Russia) where demand for their products is still growing strongly and in high margins products (Steelcord) in which the group is world leader, has a positive impact on the group's ROCE.

The strong FCF generation, share buy backs and dividend flow to shareholders brings down capital employed of the company. As a result, even with limited margin improvement, Bekaert should be able to generate a ROCE above its WACC in the coming years.

**Exhibit 7 Shareholder value creation: ROIC – WACC positive since 2003**




Source: Petercam estimates

The significant increase of dividends paid by Bekaert's joint ventures is the next step in the group's shareholder value creation as this should unlock the value of these assets. At the end of 2006, book value of the joint ventures amounted to EUR 238m, while ROE reached 21.4% and ROCE amounted to 15% in 2005. It is clear that the market value of those assets is substantially above the bookvalue.

## Target price increased to EUR 122 per share

Given the importance of Bekaert's associates, we believe it is fair to value the group in two parts. We made dividend discount model to value the joint ventures since Bekaert has only access to the cash it receives via dividends paid by the associates and we made a DCF for the 100% Bekaert business.

- By making a dividend discount model, based on a 70% payout ratio until 2009 and increasing to 80% afterwards and a WACC of 9%, we arrive at an equity value of EUR 762m or EUR 38 per Bekaert share. On a multiple basis, our associate valuation represents an EV/EBITDA of 8x 2007e.
- For our DCF valuation we take the following assumptions into account:
  - CAGR of revenues between 2007 and 2017 of 2.4%
  - CAGR of EBIT of only 1.9%. From 2010 onwards we pencil in an EBIT margin of 8%, which is in the middle of the group's target range.
  - Capex of EUR 170m in 2007, falling back towards EUR 150m in 2008 and EUR 120m afterwards. This is clearly above the group's maintenance capex of EUR 80m.
  - Working capital requirements representing 22% of revenues
  - WACC of 8%
  - Terminal growth of 1%.

This scenario leads to a fair value for the group of EUR 2.4bn. Due to the recent share buy backs, the number of shares outstanding declined to 19.8m, implying a target price of EUR 122 per share, 3% ahead of our previous target price.

Given the improvement in economic value creation, valuation remains undemanding. The group's enterprise value is only slightly above the gross book value of the operating assets. As a result, we believe that the economic value creation is not yet reflected in the stock price.

Bekaert is still trading at attractive multiples, certainly on a FCF level. The group offers a FCF yield of 7.3% in 2008 and 8% in 2009. If we would only take maintenance capex into account, FCF yield stands at 9% for 2008 and 9.5% for 2009.

On an EV/EBITDA basis, Bekaert trades at 7.1x 2007 and 6x 2008. At our EUR 122 target price, Bekaert would be trading at 8.2x EBITDA 2007 and 7x EBITDA 2008.

We reiterate our Add rating and increase our price target to EUR 122 per share.

| Profit & Loss (EUR m) | 12/03 | 12/04 | 12/05 | 12/06e | 12/07e | 12/08e | 12/09e |
|---|---|---|---|---|---|---|---|
| **Revenues** | **1,797.0** | **2,173.2** | **1,914.3** | **2,009.6** | **2,100.6** | **2,199.9** | **2,269.4** |
| *(Y/Y - %)* | *-4%* | *21%* | *-12%* | *5%* | *5%* | *5%* | *3%* |
| Gross profit | 372.5 | 490.8 | 392.1 | 394.9 | 420.5 | 454.6 | 472.5 |
| Selling expenses | -111.5 | -111.7 | -92.4 | -96.7 | -99.7 | -102.9 | -105.6 |
| R & D expenses | -35.9 | -53.9 | -45.0 | -49.6 | -51.8 | -54.3 | -56.8 |
| General & administ. expenses | -100.6 | -108.9 | -100.4 | -95.3 | -97.6 | -100.4 | -103.6 |
| Other expenses | -12.6 | -31.3 | -18.0 | -7.4 | -10.2 | -12.4 | -14.5 |
| **EBITDA** | **235.7** | **313.5** | **257.4** | **267.7** | **281.3** | **308.7** | **319.9** |
| EBITA | 118.8 | 192.1 | 150.0 | 151.4 | 161.3 | 184.7 | 191.9 |
| *(Ebita margin - %)* | *6.6%* | *8.8%* | *7.8%* | *7.5%* | *7.7%* | *8.4%* | *8.5%* |
| Amortization | -10.4 | -10.2 | -13.7 | 0.0 | 0.0 | 0.0 | -10.5 |
| Impairment | - | - | - | - | - | - | - |
| EBIT | 111.8 | 185.1 | 136.3 | 145.9 | 161.3 | 184.7 | 191.9 |
| Net Financial Result | -43.0 | -30.6 | -26.9 | -18.5 | -17.0 | -16.0 | -15.0 |
| (of which Net interest charges) | -18.1 | -16.4 | -19.7 | -23.2 | -26.0 | -27.0 | -24.7 |
| (of which Other) | -24.8 | -14.2 | -7.2 | -1.9 | -5.0 | -4.0 | -4.0 |
| Pre-tax result | 68.8 | 154.5 | 121.0 | 114.2 | 130.3 | 153.7 | 163.2 |
| Taxes | -8.2 | -28.1 | -30.3 | -18.1 | -32.6 | -38.4 | -40.8 |
| Except. / Discont. operations | 0.0 | 0.0 | - | - | - | - | - |
| Associates | 36.9 | 56.8 | 56.9 | 51.0 | 47.9 | 48.9 | 49.9 |
| Minorities | -7.5 | -12.4 | -12.0 | -4.8 | -4.0 | -5.0 | -6.0 |
| Net declared earnings | 86.7 | 167.6 | 189.9 | 142.3 | 141.6 | 159.2 | 166.3 |
| **Net adjusted earnings** | **102.9** | **183.4** | **149.4** | **147.8** | **141.6** | **159.2** | **166.3** |

| Cash Flow (EUR m) | 12/03 | 12/04 | 12/05 | 12/06e | 12/07e | 12/08e | 12/09e |
|---|---|---|---|---|---|---|---|
| EBIT | 111.8 | 185.1 | 136.3 | 145.9 | 161.3 | 184.7 | 191.9 |
| Depreciation | 116.9 | 121.4 | 107.5 | 116.2 | 120.0 | 124.0 | 128.0 |
| Amortization | 7.0 | 7.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Impairment | 0.0 | 0.0 | 13.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Changes in provision | -28.6 | -7.5 | -15.3 | 0.0 | -5.0 | -5.0 | -5.0 |
| Changes in working capital | 13.0 | -107.2 | -2.0 | -31.9 | -5.0 | -2.0 | -2.0 |
| Others | 0.4 | 8.8 | -5.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Operational Cash Flow** | **220.4** | **207.5** | **234.6** | **230.2** | **271.3** | **301.7** | **312.9** |
| Tax expenses | -18.5 | -32.9 | -25.5 | -16.8 | -32.6 | -38.4 | -40.8 |
| Dividends from associates | 18.9 | 22.8 | 43.6 | 35.2 | 35.9 | 36.7 | 39.9 |
| Net interest charges | -18.2 | -16.0 | -14.8 | -22.0 | -23.4 | -24.3 | -22.2 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **CF from operating activities** | **202.6** | **181.4** | **237.9** | **226.5** | **251.3** | **275.7** | **289.8** |
| CAPEX | -118.1 | -172.9 | -151.6 | -161.3 | -170.0 | -150.0 | -120.0 |
| Investments in intangibles | - | - | - | - | - | - | - |
| Acquisitions | -33.9 | -16.7 | -21.2 | -42.7 | 0.0 | 0.0 | 0.0 |
| Divestments | 17.4 | 6.6 | 93.0 | 11.4 | 0.0 | 0.0 | 0.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **CF from investing activities** | **-134.7** | **-182.9** | **-79.9** | **-192.6** | **-170.0** | **-150.0** | **-120.0** |
| Dividend payment | -44.9 | -45.3 | -52.2 | -74.1 | -52.4 | -59.5 | -64.5 |
| Minor. & pref. dividends | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity financing | 0.0 | 1.2 | -35.2 | -52.8 | -106.6 | 0.0 | 0.0 |
| Others | -28.9 | -2.0 | 12.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **CF from financing activities** | **-73.8** | **-46.0** | **-75.4** | **-127.0** | **-158.9** | **-59.5** | **-64.5** |
| Changes in consolidation scope | - | - | - | - | - | - | - |
| Exchange rate impact | -3.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net debt/cash change** | **-9.1** | **-47.5** | **82.7** | **-93.1** | **-77.7** | **66.2** | **105.3** |
| FCF to Enterprise | 102.3 | 34.7 | 150.1 | 133.4 | 151.3 | 181.7 | 192.9 |
| FCF to Equity | 292.6 | 241.4 | 147.8 | 121.3 | 131.3 | 155.7 | 169.8 |

**Notes** 2000 figures restated from US GAAP to IAS, As from 2005 estimates exclude Fencing

| **Balance Sheet (EUR m)** | **12/03** | **12/04** | **12/05** | **12/06e** | **12/07e** | **12/08e** | **12/09e** |
|---|---|---|---|---|---|---|---|
| Tangible fixed assets | 757.6 | 791.6 | 799.8 | 824.2 | 991.4 | 972.5 | 938.5 |
| Intangible fixed assets | 119.5 | 118.4 | 125.4 | 134.5 | 134.5 | 134.5 | 134.5 |
| (of which Goodwill) | 70.9 | 76.0 | 79.9 | 77.0 | 77.0 | 77.0 | 77.0 |
| (of which Other intang. assets) | 48.5 | 42.4 | 45.5 | 57.5 | 57.5 | 57.5 | 57.5 |
| Financial fixed assets | 278.7 | 316.5 | 268.2 | 309.2 | 321.2 | 333.4 | 343.4 |
| Total fixed assets | 1,155.7 | 1,226.6 | 1,193.4 | 1,267.8 | 1,447.1 | 1,440.4 | 1,416.4 |
| Working capital | 366.8 | 474.0 | 453.9 | 401.1 | 419.9 | 450.1 | 471.6 |
| **Capital invested** | **1,522.5** | **1,700.6** | **1,647.3** | **1,725.6** | **1,866.9** | **1,890.5** | **1,888.0** |
| Total Equity | 822.3 | 958.5 | 1,130.3 | 1,121.3 | 1,210.6 | 1,310.3 | 1,412.2 |
| Equity | 779.0 | 909.7 | 1,079.2 | 1,072.5 | 1,161.8 | 1,261.5 | 1,363.3 |
| Minorities & preferred | 43.3 | 48.8 | 51.1 | 48.9 | 48.9 | 48.9 | 48.9 |
| Provisions & deferred taxes | 292.4 | 286.7 | 242.3 | 222.8 | 197.2 | 187.2 | 188.2 |
| Net financial debt | 407.9 | 455.4 | 271.7 | 377.6 | 455.3 | 389.1 | 283.8 |
| **Capital employed** | **1,522.5** | **1,700.6** | **1,647.3** | **1,725.6** | **1,866.9** | **1,890.5** | **1,888.0** |
| Total assets | 1,925.8 | 2,189.3 | 2,231.7 | 2,163.0 | 2,359.8 | 2,389.8 | 2,395.0 |

| **EV and CE details (EUR m)** | **12/03** | **12/04** | **12/05** | **12/06e** | **12/07e** | **12/08e** | **12/09e** |
|---|---|---|---|---|---|---|---|
| **Market cap.** | **1,114.6** | **1,285.1** | **1,699.8** | **1,983.7** | **2,100.2** | **2,100.2** | **2,100.2** |
| + Net financial debt | 407.9 | 455.4 | 271.7 | 377.6 | 455.3 | 389.1 | 283.8 |
| (of which LT debt) | 312.3 | - | - | - | - | - | - |
| (of which ST debt) | 176.6 | - | - | - | - | - | - |
| (of which Cash position) | 81.1 | - | - | - | - | - | - |
| + Provisions (pension) | 171.4 | 172.0 | 138.9 | 135.6 | 110.0 | 100.0 | 101.0 |
| + Minorities (MV) | 43.3 | 48.8 | 51.1 | 48.9 | 48.9 | 48.9 | 48.9 |
| - Peripheral assets (MV) | -289.4 | -326.1 | -402.8 | -571.7 | -795.4 | -795.4 | -795.4 |
| + Others | - | - | - | - | - | - | - |
| **Enterprise Value** | **1,447.8** | **1,635.2** | **1,758.7** | **1,974.0** | **1,919.0** | **1,842.8** | **1,738.5** |
| **Equity (group share)** | **779.0** | **909.7** | **1,079.2** | **1,072.5** | **1,161.8** | **1,261.5** | **1,363.3** |
| + Net financial debt | 407.9 | 455.4 | 271.7 | 377.6 | 455.3 | 389.1 | 283.8 |
| + Provisions (pension) | 171.4 | 172.0 | 138.9 | 135.6 | 110.0 | 100.0 | 101.0 |
| + Minorities | 43.3 | 48.8 | 51.1 | 48.9 | 48.9 | 48.9 | 48.9 |
| - Peripheral assets | -214.1 | -226.1 | -242.2 | -239.4 | -251.4 | -263.6 | -273.6 |
| + Others | - | - | - | - | - | - | - |
| **Capital employed (for ROCE)** | **1,187.5** | **1,359.9** | **1,298.7** | **1,395.1** | **1,524.5** | **1,535.8** | **1,523.3** |
| + Accumulated goodwill amortiz. | 57.3 | 57.3 | 57.3 | 57.3 | 57.3 | 57.3 | 57.3 |
| **CE (for ROCE grossed gdwll)** | **1,244.8** | **1,417.2** | **1,356.0** | **1,452.4** | **1,581.8** | **1,593.1** | **1,580.6** |

**Notes** 2000 figures restated from US GAAP to IAS, As from 2005 estimates exclude Fencing

| Per Common Share (EUR) | 12/03 | 12/04 | 12/05 | 12/06e | 12/07e | 12/08e | 12/09e |
|---|---|---|---|---|---|---|---|
| **Adjusted EPS (*)** | **4.66** | **8.38** | **6.91** | **6.88** | **6.95** | **8.03** | **8.38** |
| Adjusted EPS (fully diluted) | 4.60 | 8.21 | 6.88 | 6.88 | 6.95 | 8.03 | 8.38 |
| Declared EPS | - | - | - | - | - | - | - |
| CFS | 9.96 | 13.94 | 11.87 | 12.29 | 12.83 | 14.28 | 14.84 |
| FCF (to Equity) | 13.26 | 11.04 | 6.83 | 5.64 | 6.44 | 7.85 | 8.56 |
| Dividend | 1.75 | 2.00 | 3.00 | 2.50 | 3.00 | 3.25 | 3.50 |
| Book Value | 35.29 | 41.59 | 49.89 | 49.90 | 56.97 | 63.59 | 68.73 |
| **Shares (m)** | | | | | | | |
| At the end of F.Y. | 22.070 | 21.874 | 21.530 | 20.947 | 19.836 | 19.836 | 19.836 |
| Average number | 22.070 | 21.874 | 21.633 | 21.492 | 20.391 | 19.836 | 19.836 |
| Fully diluted Average number | 22.440 | 22.410 | 21.708 | 21.597 | 20.486 | 20.486 | 20.486 |

(*) Adjusted EPS : pre-goodwill amortisation earnings, adjusted for post-tax non-recurrent items

| Ratios | 12/03 | 12/04 | 12/05 | 12/06e | 12/07e | 12/08e | 12/09e |
|---|---|---|---|---|---|---|---|
| **Valuation analysis** | | | | | | | |
| P/E | 10.8 | 7.0 | 11.4 | 13.8 | 15.2 | 13.2 | 12.6 |
| P/CF | 5.1 | 4.2 | 6.6 | 7.7 | 8.3 | 7.4 | 7.1 |
| P/BV | 1.4 | 1.4 | 1.6 | 1.9 | 1.9 | 1.7 | 1.5 |
| EV/Sales | 0.8 | 0.8 | 0.9 | 1.0 | 0.9 | 0.8 | 0.8 |
| EV/EBITDA | 6.1 | 5.2 | 6.8 | 7.4 | 6.8 | 6.0 | 5.4 |
| EV/EBITA | 12.2 | 8.5 | 11.7 | 13.0 | 11.9 | 10.0 | 9.1 |
| EV/EBIT | 12.9 | 8.8 | 12.9 | 13.5 | 11.9 | 10.0 | 9.1 |
| EV/CE | 1.2 | 1.2 | 1.4 | 1.4 | 1.3 | 1.2 | 1.1 |
| EV/CE (grossed goodwill) | 1.2 | 1.2 | 1.3 | 1.4 | 1.2 | 1.2 | 1.1 |
| EV/FCF (1) | 14.2 | 47.2 | 11.7 | 14.8 | 12.7 | 10.1 | 9.0 |
| FCF yield (2) | 26.3% | 18.8% | 8.7% | 6.1% | 6.3% | 7.4% | 8.1% |
| Dividend yield | 3.5% | 3.4% | 3.8% | 2.6% | 2.8% | 3.1% | 3.3% |
| **Financial ratios** | | | | | | | |
| Interest cover | 3.5 | 7.0 | 5.1 | 5.8 | 5.2 | 6.0 | 6.7 |
| Net Debt/EBITDA | 1.7 | 1.5 | 1.1 | 1.4 | 1.6 | 1.3 | 0.9 |
| Net Debt/Equity | 49.6% | 47.5% | 24.0% | 33.7% | 37.6% | 29.7% | 20.1% |
| Net Debt/FCF (2) | 1.4 | 1.9 | 1.8 | 3.1 | 3.5 | 2.5 | 1.7 |
| Capital turnover | 1.4 | 1.5 | 1.5 | 1.4 | 1.4 | 1.4 | 1.5 |
| ROCE pre-tax | 9.9% | 14.4% | 12.9% | 11.7% | 11.6% | 13.0% | 13.6% |
| ROCE post-tax | 8.0% | 11.9% | 12.4% | 11.2% | 11.1% | 12.5% | 13.1% |
| ROCE pre-tax (grossed goodwill) | 8.7% | 12.7% | 9.7% | 9.8% | 8.7% | 9.8% | 10.2% |
| ROCE post-tax (grossed gdwll) | 7.0% | 10.5% | 9.3% | 9.4% | 8.4% | 9.4% | 9.8% |
| ROE | 13.4% | 21.8% | 13.8% | 13.8% | 12.2% | 12.6% | 12.2% |
| Working capital (in % of sales) | 20.4% | 21.8% | 23.7% | 20.0% | 20.0% | 20.5% | 20.8% |
| Payout | 44.6% | 26.1% | 43.4% | 36.3% | 43.2% | 40.5% | 41.7% |
| **Margin analysis and tax rate** | | | | | | | |
| Gross margin | 20.7% | 22.6% | 20.5% | 19.7% | 20.0% | 20.7% | 20.8% |
| EBITDA margin | 13.1% | 14.4% | 13.4% | 13.3% | 13.4% | 14.0% | 14.1% |
| EBITA margin | 6.6% | 8.8% | 7.8% | 7.5% | 7.7% | 8.4% | 8.5% |
| Adjusted profit margin | 5.7% | 8.4% | 7.8% | 7.4% | 6.7% | 7.2% | 7.3% |
| Tax rate | 10.3% | 17.0% | 24.6% | 15.9% | 25.0% | 25.0% | 25.0% |
| **Growth analysis** | | | | | | | |
| Sales | -4% | 21% | -12% | 5% | 5% | 5% | 3% |
| EBITDA | 12% | 33% | -18% | 4% | 5% | 10% | 4% |
| EBITA | 58% | 62% | -22% | 1% | 7% | 15% | 4% |
| Adjusted profit | 94% | 78% | -19% | -1% | -4% | 12% | 4% |
| Adjusted EPS | 94% | 80% | -18% | 0% | 1% | 16% | 4% |
| Dividend | 4% | 14% | 50% | -17% | 20% | 8% | 8% |

(1) Based on FCF to Enterprise - (2) Based on FCF to Equity

**Notes** -

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***Investment rating system :*** *Petercam's ratings are based on the estimated performance relative to the market. The market is represented by the DJ EURO STOXX index, which is a broad European index representative for the European, Euro region, equity market. The total return required for a given rating depends on the risk profile relative to this market. This risk profile is represented by the Beta, as estimated by the analyst. Low risk stocks have an estimated Beta below or equal to 0.9, Medium risk stocks have a Beta between 0.9 and 1.3 and High risk stocks have a Beta equal to or above 1.3. The required relative performance for a given rating is indicated below. The price targets given and the expected relative performances are always based on a 12 month time horizon.*

| | **SELL** | **REDUCE** | **HOLD** | **ADD** | **BUY** |
|---|---|---|---|---|---|
| **High** Beta > 1.3 | RP<-15% | -15%≤RP<-6% | -6%≤RP<+6% | +6%≤RP<+15% | RP≥15% |
| **Medium** 0.9 < Beta ≤ 1.3 | RP<-10% | -10%≤RP<-4% | -4%≤RP<+4% | +4%≤RP<+10% | RP≥10% |
| **Low** Beta ≤ 0.9 | RP<-6% | -6%≤RP<-2% | -2%≤RP<+2% | +2%≤RP<+6% | RP≥6% |

*RP : Relative Performance against DJ EURO STOXX.*

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***Recommendation history and additional company related disclosure for each individual company:***
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