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Belgium / Metal technology

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Bekaert

Accelerating growth via BRIC investments

BRIC strategy leads to better growth and FCF profile

- BRIC countries represented 52.5% of revenues in 2007. Given the higher profitability in these regions, we estimate that these regions made up approximately to 60% of profits.
- With the buyout of its JV partner in Venezuela and in Turkey, ongoing high capex level in China, greenfield investment in Russia, Indonesia and in India, Bekaert underpinned over the past months once more its emerging markets profile.
- We estimate that the already announced capacity expansions and greenfield investments in these regions will add EUR 205m to revenues in the next 4 years or 9.5% of consolidated revenues.
- Bekaert is clearly gaining market share in China, which remains the group's growth driver.
- Despite the historical high capex and the share buy backs, net debt to EBITDA ratio stood only at 1.5x at the end of 2007, leaving room for further expansion and buy backs.
- Besides faster growth and higher margins, Bekaert is benefiting from an increasing cash generation from the fast growing emerging regions.
- 2007 ended in full force with 12% organic revenue growth in Q4. 2008 seems to have started strongly as well, helped by price increases and ongoing strong demand in emerging markets and for the group's offshore products.

Buy reiterated with target price of EUR 122

- At the end of 2007, book value of the joint ventures amounted to EUR 216m, while ROE reached 21.9%. It is clear that the market value of those assets, which contributed EUR 54.7m in dividends last year, is substantially above their bookvalue.
- 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.
- Valuation is at attractive levels. The group offers a FCF yield of 9.4% and trades at 5.7x EBITDA 2008.

Year end	Sales (m)	EBITDA (m)	Adj. profit (m)	EPS	CFS	Div.	EV/ EBITDA (*)	P/E (*)	Yield (*)
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%*
12/06	*2,010*	*268*	*148*	*6.88*	*12.29*	*2.50*	*7.4*	*13.8*	*2.6%*
12/07	*2,174*	*299*	*153*	*7.63*	*13.82*	*2.76*	*6.1*	*12.1*	*3.0%*
12/08e	2,290	318	159	8.05	14.64	3.25	5.7	11.4	3.5%
12/09e	2,395	339	165	8.38	15.29	3.50	5.1	10.9	3.8%
12/10e	2,477	353	177	8.98	16.09	3.75	4.6	10.2	4.1%

(*) 2004-2007 figures of EV, P/E and Yield are based on end F.Y. price

Buy

Price:	EUR 91.73
	(22/04/08)
Target price:	122.00
Risk:	Medium
Reuters:	BERTt.BR
Bloomberg:	BEKB BB
Shares number (m):	19.83
Market cap. (m):	1,819
Net debt 12/08e (m):	498
Net debt/equity 12/08e:	40%
H/L 1 year:	113.40 - 76.54
1 year price perf.:	-10.1%
Diff. with DJ Euro Stoxx	6.5%
Volume (sh./day):	51,089
Free Float	58%
Family shareholders	39%
Barclays PLC	3%

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 (22/04/08)

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Accelerating growth via BRIC investments

BRIC strategy improves growth profile,

For the first time in the group's history, BRIC countries represent more than 50% of Bekaert's revenues. Including equity consolidated companies, BRIC countries represented 52.5% of revenues in 2007. Given the higher profitability in these regions, we estimate that these regions made up approximately to 60% of profits.

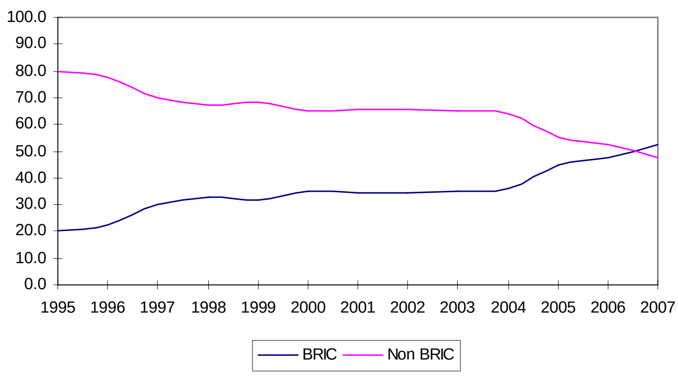
This is a direct result of Bekaert's strategy of investing its free cash flow aggressively in markets where it has leadership such as steel cord and in regions where underlying demand for its products in growing fast such as China and Latin America. As a result, Bekaert's growth profile improved significantly.

Exhibit 1 Total combined quarterly sales

Source: Bekaert

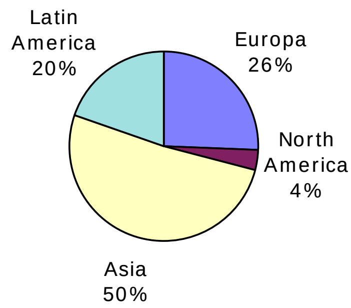
Organic revenue growth clearly accelerated over the past years. In the 90's Bekaert posted an average organic revenue growth of 2.5% with high volatility depending on the economic cycle in US and in Europe. Since 2000, average organic revenue growth improved to 6.5% and to 7.5% over the past 5 years. If we make abstraction of the 22% recorded in 2004, average organic revenue growth amounted to 4.5%. This clearly points out that Bekaert's aggressive expansion in Asia and to a lesser extent in Latin America and Eastern Europe are paying off. Thanks to the group's improved geographical mix, growth has become less volatile and more structural.

Exhibit 2 BRIC countries in % of total revenues



Source: Bekaert presentation

Exhibit 3 Capex per region 2007



Source: Bekaert annual report

Key in the group's strategy since new management arrived in 2003 has been its aggressive and focussed investment in Emerging Markets. Also in 2007, Bekaert invested heavily in these regions. The group increased its capex level (including capex at equity consolidated companies) by 24% last year of which 70% was invested in Asia and in Latin America. Out of the consolidated capex of EUR 200m in 2007, Asia represented EUR 126m or 64%. Also in 2006, half of Bekaert's capex budget was spent in Asia, while 20% of total capex was located in Latin America. The bulk of the investments in Europe are located in Eastern Europe.

Emerging Markets will remain the key growth driver of the group in the coming years and their weight in the group's profit will grow further. With the buyout of its JV partner in Venezuela and in Turkey, ongoing high capex level in China, greenfield investment in Russia, Indonesia and in India, Bekaert underpinned over the past months once more its emerging markets profile.

We estimate that the already announced capacity expansions and greenfield investments in these regions will add EUR 205m to revenues in the next 4 years or 9.5% of consolidated revenues.

In the meantime Bekaert continues to adapt its capacity in mature countries. Bekaert closed down its steel cord joint venture in Australia (estimated capacity 10,000 tons) and will from 2008 onwards supply the Australian market from its low cost steel cord plants located in Asia. Also Wire activities in Belgium, the UK and France have been moved towards Eastern Europe or closed. At the end of 2006, Bekaert closed down a 40,000 tons steelcord plant in the US. The production capacity is integrated into other Bekaert facilities, mainly China but also other steelcord plant in the US.

Exhibit 4 Recently announced investments and expected revenue impact

Acquisitions			Investment	Revenue impact
Sep-07	Venezuela & Colombia	Buy out JV	EUR 25.4m	EUR 140m
Feb-08	Turkey	Buy out JV	EUR 40.3m	EUR 65m
Timing			**Capex**	**Revenue impact**
2008	China	Steelcord & Wire	EUR 100m	EUR 75m
2009	India	JV with Mukand	EUR 18m	EUR 30m
2008 - 2012	India	Wire for automotive & offshore	EUR 15m	EUR 20m
2008 - 2010	Indonesia	Dramix plant	EUR 22m	EUR 35m
2008 - 2013	Russia	Greenfield Steelcord plant	EUR 97m	EUR 45m

Source: Bekaert & Petercam estimates

Growth driver of the past years has been Bekaert's steel cord activity in China, which accounted already for 17% of consolidated revenues at the end of 2007. Bekaert is clearly gaining market share as it is growing much faster than its closest competitors. Bekaert's steel cord revenues in China grew by 52% in 2007 in local currencies compared to 10.4% for Xingda, the n°2 in the market, and 10.9% for Shougang.

Overall, Bekaert ended 2007 in full force with a 12% organic revenue growth in Q4. 2008 seems to have started strongly as well driven by ongoing steel cord demand in China and strong demand for offshore products. In addition, competitors and customers recently reported that steel cord prices have been raised since January. On the other hand, we pencilled in a slowdown both in Europe and in the US to reflect recent macro economic environment. This should lead to an organic revenue growth of 4% in 2008, accelerating to 5% in 2009.

Besides an improved growth profile, the increasing weight of Emerging Markets has a positive impact on margins. We believe that Bekaert generates above average margins in the faster growing regions. In 2007, EBIT margins of the Latin American business, consolidated via the equity method, reached 11.3% compared to 8% for the Bekaert consolidated business. The acquired activities in Venezuela generated 10.1% EBIT margins last year.

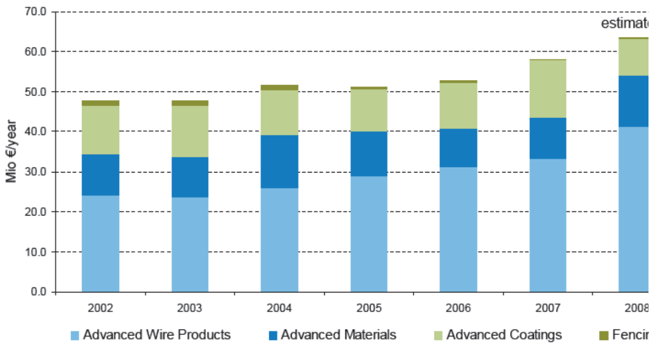
Based on peer reporting, we believe that Bekaert's activity in China also generates double digit operating margins. Xingda reported an EBIT margin of 18% in 2007. Xingda however operates 1 big plant in China, which should imply higher economies of scale but higher transport costs. Bekaert's capacity is split over 3 plants. A much smaller player like Shougang generated EBIT margins of 12.1% in 2007. Given Bekaert's high market share in the high margin truck steel cord market, its premium pricing and high utilization rate, we believe that its margins in China are clearly above the group's average despite high depreciation charges. Bekaert finances its EUR 100m capex program out of the Chinese cash flow, implying that cash conversion in China is strong.

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 steel cord provides cost leadership. In addition, the link up with Shougang via its 13.3% equity stake, give Bekaert more insight in the Chinese market and could be the precursor of a consolidation in the Chinese steel cord market.

… in combination with increasing R&D,

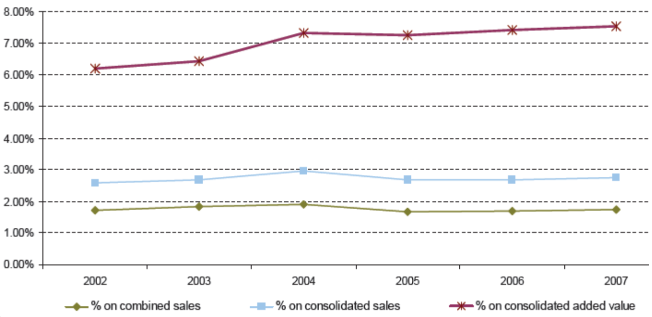
Besides its geographical expansion, Bekaert has stepped up its R&D budget significantly over the past years from mid EUR 40m level to EUR 63m expected in 2008. The group will have more than 400 FTE's in the R&D division at the end of 2008, of which 100 located in China and over 300 in Belgium. Bekaert's R&D is focused on its 2 key competences: Metal transformation and Coating technologies.

Exhibit 5 Evolution R&D spend



Source: Bekaert presentation February 2008

Exhibit 6 R&D spend in % of revenues



Source: Bekaert presentation February 2008

The group showed at the recent analyst day that has an interesting pipeline of new products that recently came to the market. The group expects that it will lead to further growth acceleration. Examples of these products are:

- Fibers for diesel particulate filters: introduced in 2007. This system, developed by a German company, reduces diesel engine emissions and eliminates filter maintenance. Instead of the usual ceramic material, the manufacturer opted for a filter medium made of sintered metal fibers which Bekaert produces in Belgium and China. In the course of 2007, Bekaert announced an investment of EUR 18m in expansion of its fiber production capacity in Belgium.
- Flat and profiled wires: Bekaert's flat and profiled wires, which already record EUR 100m in revenues, are for example used to reinforce flexible pipes through which oil and gas are brought to the surface from offshore fields. Bekaert is main supplier to the major players in this industry with a market share over 50%. Technip, one of Bekaert's major customers for flexible pipes for the offshore market is investing in Asia. Bekaert will produce some of the wire needed for this project in India. Bekaert had several break-troughs' in 2007 in specialized wire products for the automotive industry.
- Steel reinforced Thermoplastic: product that was born out the steel cord technology and used to reinforce plastic products such as pipes (applied in oil and gas exploration wells – passed all field tests and start in 2008 its commercial life), bumpers (approval obtained – first type going in serial production in 2010)

… while management optimizes on cash conversion

Besides faster growth and higher margins, Bekaert is benefiting from an increasing cash generation from the fast growing emerging regions. The only cash Bekaert receives from its equity consolidated companies are the dividends. Until 2004, one of the weak points in the Bekaert investment case was that the strong growth in associates' profits was not translated in FCF growth at Bekaert. Payout ratio at the associates over the past years fluctuated between 40% and 50%.

In 2005, dividend from associates amounted to EUR 43.6m or 77% of the annual profits or EUR 2.08 per Bekaert share. In 2006, dividend from associates amounted to EUR 35.2m or 69% of their profits. Another positive surprise was recorded in 2007. Bekaert received EUR 54.7m dividends or EUR 2.76 per share, implying a pay-out ratio of 116%. This was partly driven by a dividend settlement linked to the buy out of its JV partner in Venezuela.

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 (ArcelorMittal in stead of Arcelor), we believe that payout will remain high in the coming years. We pencilled in a pay-out ratio of 85% for the next 3 years and 80% afterwards.

Due to the buy-out of its JV partner in Venezuela, profit contribution and dividend received from associates will decline in 2008, but will be offset by the full consolidation of the Venezuelan activity.

Exhibit 7 Associates results and dividends in EUR m

Associates	2003	2004	2005	2006	2007	2008e	2009e	2010e
Equity value Bekaert part	201	220	238	238	216	209	216	224
Net profit Bekaert part	36.9	56.7	56.9	51.0	47.1	45.5	47.6	49.4
Dividend to Bekaert	18.6	22.8	43.6	35.2	54.7	38.7	40.5	42.0
Payout ratio	50%	40%	77%	69%	116%	85%	85%	85%
ROE	18.4%	25.8%	23.9%	21.4%	21.9%	21.7%	22.0%	22.1%

Source: Petercam estimates

Given its strong cash conversion and under-geared balance sheet, Bekaert added a second leg to its investing strategy: buying back its own share.

Bekaert's management has found the right mix between investing in emerging regions and returning cash to shareholders. The group started a substantial share buy back in Q4'06 and bought back and cancelled 8% of the outstanding shares at the end of in 2007.

So far in, 2008, Bekaert continued and repurchased and cancelled 161,000 shares or 0.8% of the outstanding shares. On top of this, dividend was raised by 25%in 2006 and by 10.4% in 2007. The group targets a payout ratio of 40% for the coming years.

Despite the historical high capex and the share buy backs, net debt to EBITDA ratio stood only 1.5x at the end of 2007, leaving room for further expansion. Gearing amounted to 39%, still significantly below the target of 50%. Despite another year of EUR 200m capex, share buy backs and buy out of JV partners, balance sheet will remain under-geared. We expect that net debt to EBITDA will amount to 1.6x at the end of 2008 and gearing is expected to reach 40%. Without further important expansion plans or share buy backs, leverage would drop substantially.

It is clear that the group has a substantial war chest for potential acquisitions if for instance the Chinese steel cord market would consolidate or if capacity aggressive expansion is needed in countries such as India where tire radialization is still non-existing.

Exhibit 8 Return to shareholders

EUR m	2003	2004	2005	2006	2007	2008e	2009e	2010e
Dividend	45	45	52	74	57	55	64	69
Share buy back	2	10	35	55	111	14	0	0
Total return to shareholders	47	55	87	129	168	69	64	69
in % of market cap	4.2%	4.3%	5.1%	6.3%	9.2%	3.8%	3.5%	3.8%

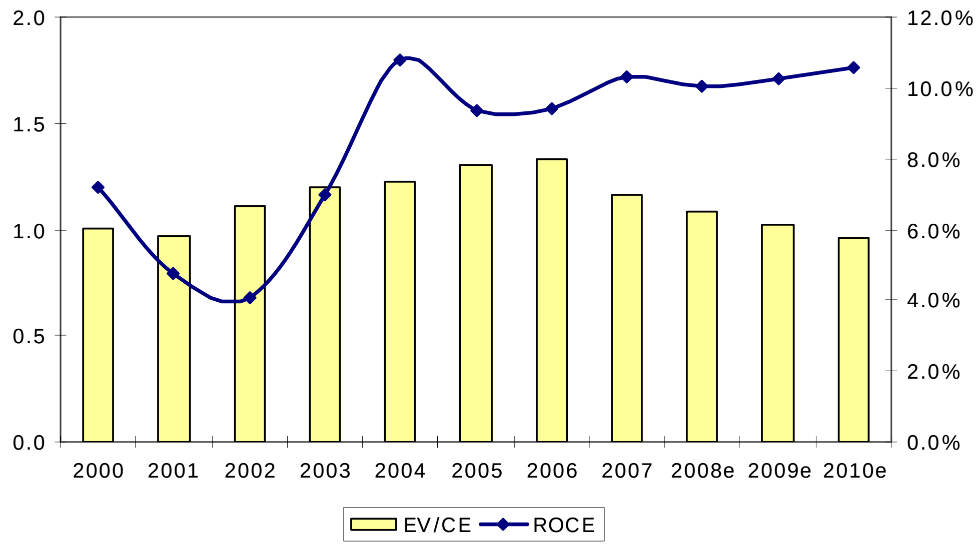
Source: Petercam estimates

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 in area's where growth is not existing and profitability is under pressure, while speeding up the investments in regions where demand for their products is still growing strongly and in high margin products in which the group is world leader, has a positive impact on the group's ROCE.

The strong FCF generation underpinned by the dividend received from associates brought capital employed down, while both operating margins improved structurally and asset turnover improved.

The significant step up of dividends paid by Bekaert's associates is the next step in the group's shareholder value creation as this should unlock the value of these assets. At the end of 2007, book value of the joint ventures amounted to EUR 216m, while ROE reached 21.9% and ROCE amounted to 14%. It is clear that the market value of those assets is substantially above their bookvalue.

Exhibit 9 Shareholder value creation: ROIC – WACC positive since 2003



Source: Petercam estimates

Valuation

Given the importance of Bekaert's joint ventures which are consolidated via the equity method, we believe Bekaert needs to be valued in two parts. At the end of 2007, book value of the joint ventures amounted to EUR 216m, while ROE reached 21.9% and ROCE amounted to 14%. It is clear that the market value of those assets, which contributed EUR 54.7m dividends in 2007 to Bekaert, is substantially above their bookvalue.

We made a dividend discount model to value the joint ventures since Bekaert has only access to the cash it receives via dividends paid by these companies. For the 100% consolidated business, we made a DCF.

- Associates: We arrive at an equity value of EUR 579m or EUR 32 per Bekaert share. Our dividend discount model is based on a 85% payout ratio until 2010, falling back towards 80% afterwards. We use a WACC of 9.5% and a nominal growth rate after 2010 of 3%.

  On a multiple basis, our associate valuation of EUR 579m represents an EV/EBITDA of 7x 2008e and 12.5x earnings. It also would imply that dividend yield amounts to 6.7% in 2008.

- 100% consolidated business: For our DCF valuation we take the following assumptions into account:
  - CAGR of revenues between 2007 and 2018 of 2.2%
  - CAGR of EBIT of only 2%. From 2010 onwards we pencil in an EBIT margin of 8%, which is in the middle of the group's target range of 7% to 9%.
  - Capex of EUR 200m in 2008, falling back towards EUR 120m afterwards. This is above the group's maintenance capex of EUR 90m.
  - Working capital requirements representing 22% of revenues
  - WACC of 7.6%
  - Growth of FCF after 2018 of 1%.

This scenario leads to an equity value of the 100% consolidated business of EUR 1.75bn or EUR 89 per share. This would imply that Bekaert would be trading at an EV/EBITDA'08 of 6.8x.

This leads to a valuation of the group of EUR 2.4bn. Due to the recent share buy backs, the number of shares outstanding declined to 19.7m, leading to implying a target price of EUR 122 per share.

Bekaert further increases its exposure to emerging markets where growth for its traditional wire products is significantly higher than in the mature Western markets. Combined with the aggressive expansion and market share wins in China, Bekaert is becoming more and more a play on the emerging markets. Hence, the growth profile of the group further improves. In addition, Bekaert generates above average margins in the faster growing regions.

Valuation is attractive. Bekaert is trading at 11x EPS 2008 and EV/EBITDA 2008 stands only at 5.7x, while the group offers a FCF Yield of 9.4%.

We reiterate our Buy rating and our target price of EUR 122 per share.

Exhibit 10 DCF & DDM on associates

DCF	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues	2,290	2,395	2,477	2,526	2,577	2,628	2,681	2,735	2,789	2,845	2,902
yoy		4.6%	3.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBIT	188	203	213	202	206	210	214	219	223	228	232
margin	8.2%	8.5%	8.6%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Taxes	-34	-45	-47	-49	-49	-50	-51	-53	-54	-55	-56
tax rate	18.0%	22.0%	21.9%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
NOPLAT	**154**	**158**	**166**	**154**	**157**	**160**	**163**	**166**	**170**	**173**	**176**
Depreciations	130	136	140	144	142	140	136	132	128	126	120
WCR	-31.3	-26.4	-23.6	-0.8	-11.9	-12.1	-12.4	-12.6	-12.9	-13.1	-13.4
CAPEX	200	120	120	120	120	120	120	120	120	120	120
DFCF	**49**	**128**	**130**	**131**	**115**	**108**	**100**	**92**	**85**	**79**	**73**

NPV horizon period :	1,090	
NPV residual value :	1,092	
net cash (debt) :	-448	
Minorities	-33	
Peripherals	31	
Provisions	-90	12m forward
Bekaert ex ass	**1,642**	1,767
Associates	**579**	633
Equity value	**2,220**	**2,400**
		19.7
		122.0

Equity part	83%
net debt part	17%
Bèta	1.0
risk free rate	4.3%
risk premium	4.0%
corpo spread	2.0%
cost equity	8.3%
cost of debt	4.4%
WACC	**7.6%**

residual value :	2,455
Discounted residual value :	1,092
continuing growth rate :	1.0%

Associates	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net profit	46	48	49	51	52	54	56	57	59	61	63
yoy		4.6%	3.8%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Dividend	39	40	42	41	42	43	45	46	47	49	50
payout	85.0%	85.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	0.0%
Div discounted	35	34	32	28	27	25	24	22	21	20	19

NPV horizon period :	287
NPV residual value :	291
Equity value associates	**579**

residual value :	783
Discounted residual value :	291
continuing growth rate :	3.0%

Bèta	1.1
risk free rate	5.0%
risk premium	4.0%
WACC	**9.4%**

Implied valuation	2008	2009	2010
Div yield	6.7%	7.0%	7.3%
PE	12.7	0.3	0.3
P/BV	2.76	680.60	680.60
ROE	21.7%	0.0%	236352.9%
EV/EBITDA	7.0	6.4	6.0

Source: Petercam estimates

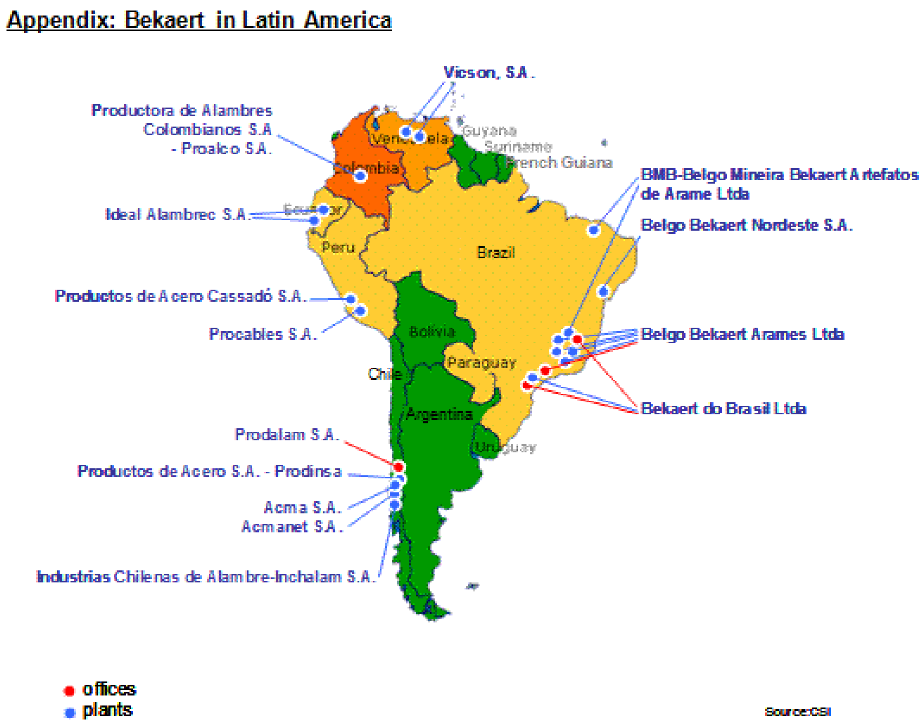
Buying out JV in LatAm and Turkey

Full ownership in Venezuela at very attractive price

Bekaert is active in several countries in Latin America in joint venture together with local industrial families (Chili) or steel companies such as ArcelorMittal in Brazil and Sivensa in Venezuela.

At the end of September 2007 Bekaert surprised the market with the announcement that it bought out its joint venture partner Sivensa in Venezuela and Colombia. We applaud this transaction from a financial and strategic point of view. Bekaert further increases at a very attractive price its exposure to emerging markets where demand for its products is significantly higher than in the mature Western markets. In addition, the group gets immediate access to the FCF generated by Venezuelan business in stead of a dividend flow. Furthermore, we expect Bekaert to roll out more of its products that are not yet marketed in Venezuela and Colombia.

Exhibit 11 Bekaert in Latin America



Source: Bekaert

A diversified wire company ...

Bekaert announced that it has signed an agreement with Sivensa for the acquisition of 50% of the shares in Vicson, in which Bekaert had already a 50% stake. As a result, for the first time, Bekaert gets full ownership in one of its LatAm activities.

Vicson is Venezuela's main manufacturer of wire and wire products, and has achieved an important position as supplier of external markets, such as US, Central America and the Caribbean. Approximately 10% of its production is exported. Vicson manufactures wire products such as rope wire (used for bridges), nails, barbed wire, staples, galvanised wire, meshes, etc used for industrial, offshore, construction and agricultural applications. Vicson has a production capacity of more than 100,000 metric tons per year, offers more the

30 varieties of products for many sectors of the national economy and is supplier to more than 800 clients.

In 1996, Vicson and Ideal Alambrec of Ecuador, which is another joint venture partner of Bekaert, joined a Colombian wire producer to form the company Proalco. Due to the acquisition of Vicson, Bekaert also acquires Vicson's 75% in Proalco. Combined with the 12.5% share that Bekaert holds through its joint venture in Ecuador, Bekaert becomes 87.5% shareholder of Proalco, which has a capacity of 57,000 metric tons per year. The plant has a modern galvanizing line, several lines for barbed wire, nails and interlinking meshes.

…With nice growth, nice margins …

Sivensa's filings learn that Vicson is performing strongly. Over the past years, profits have been growing at more than 15% per year, driven by strong demand especially in the construction and manufacturing sectors.

In 2006, EBITDA margins amounted to 14.5%, while EBIT margin reached 10.2%. In the fiscal year ended in September 2007, Vicson reported 37% revenue growth and a 35% EBIT increase to USD 19.8m. We estimate that the activities in Venezuela generate an EBIT margin of 12.5% in line with the average of Bekaert's associates, while the business in Colombia is less profitable.

Exhibit 12 Vicson financials

in USD	Sep-05	Sep-06	Sep-07
Sales	123	143	195
yoy		16%	37%
EBIT	9.8	14.6	19.8
margin	8.0%	10.2%	10.1%
yoy		49%	35%
net profit	4.2	9.0	12.2

Source: Sivensa reporting / Petercam estimates

Bekaert indicated FY revenues should amount to USD 200m, split between USD 135m for Venezuelan activities and USD 65m for Colombian activities. We expect that despite high raw material and energy prices, the strong top line growth will translate into higher margins. We pencil in EBITDA margins of 14% and EBIT margin of 10.5%.

… Acquired at an attractive price

Sivensa wanted to quit the steel wire business in line with its business strategy to concentrate on the hot briquetted iron and steel businesses, in which the company has steadily grown in recent years.

As a result, Bekaert was able to buy its JV partner out at a very attractive price. Total purchase price amounts to USD 35.5m or EUR 25.4m on a debt free basis. This implies that Bekaert is paid only 5.8x 2007 earnings and less than 4x EBITDA.

Vicson contributed in 2007 EUR 5.4m to Bekaert's results via equity consolidation and generated a ROE of 25% in 2007.

Full ownership in Turkey

In February 2008, Bekaert bought out its JV partner Sabanci Holding and acquired 50% in Beksa in Turkey. As a result Bekaert takes full ownership of Beksa, in which it already has a 50% stake. The purchase price amounts to EUR 40,3m.

Beksa, located in Izmit, manufactures steel cord products and Dramix metal fibers for concrete reinforcement, which are 2 of Bekaert's most profitable product group's. Beksa employs about 330 people and recorded EUR 65m sales in 2007.

Beksa will be further developed both as a key supplier to the growing domestic tire market and as an export base.

Bekaert was already consolidating Beksa for 100%. As a result the transaction has no impact on revenues and EBIT level. Bottom line net result will be impacted by financial charges linked to the acquisition and the minority line which will decline significantly. All in all, we estimate that the acquisition will be neutral to slightly positive in 2008.

The new markets: India, Russia & Indonesia

India: Finally waking up?

Bekaert is active in India since 1992 in steel cord. However tire radialization in the Indian market is almost non–existing. As a result, the group's production capacity remains limited to 10,000 tonnes compared to 250,000 tonnes in China at the end of 2007. However Bekaert is ready to expand its capacity if the market moves towards steel reinforced tires. As always, government funded road infrastructure investments are key leading indicator for the steelcord market development. For the moment, it does not seem that India is becoming a major tire manufacturing country. In addition, we believe that if the market moves to radialized tires, India will be supplied by Chinese tires.

Bekaert however starts to roll out its other products in India and is investing EUR 33m in total in 2 new initiatives:

- In September 2007, Bekaert signed a strategic cooperation agreement with the Indian steel company Mukand. Both partners will set up a 50/50 joint venture and invest EUR 18m in a new factory to be built in Maharashtra for the production of stainless steel wires.

  Stainless steel wires products are used in components for the automotive industry and all sorts of other industrial applications. The new plant will come on stream in January 2009. Targeted revenues are EUR 30m.

  Mukand is a leading producer of alloy and stainless steel long products in India is a supplier of Bekaert and will provide the new plant with wire rod.

- At its Analyst day in February 2008, Bekaert announced it will invest EUR 15m in a wire production platform that should be able to support growth for Wire products in Asia. The plant will produce flat and profiled wires for the local automotive (spring wire, wire for wiper systems etc..) and for the offshore industry (wire for flexible pipes). The group expects revenues to build up gradually to EUR 20m in 2012 or 1% incremental revenues on group level.

  Bekaert wants to benefit from the strong growth in the off-shore industry in South-East Asia and supply players like Technip, a major customer of Bekaert, which is investing heavily in the production of flexible pipes.

  The Indian automotive industry has grown with more than 15% per year and the penetration rate of passenger cars is only at 7 cars per 1000 people. The Automotive Mission Plan 2006-2016 aims at doubling the contribution of the automotive sector in GDP (from 5 to 10%) with a special emphasis on export of small cars. By 2016 India wants to become the world's seventh largest car producer. The auto component industry growth is directly linked to the growth of automobile industry. Finished parts made of flat and shaped wires such as flat springs for window systems are currently imported by Bekaert in India but will increasingly be made locally. Other flat and shaped wires, commonly used in Europe and the US, are not yet used in India

Russia: Greenfield instead of acquisition

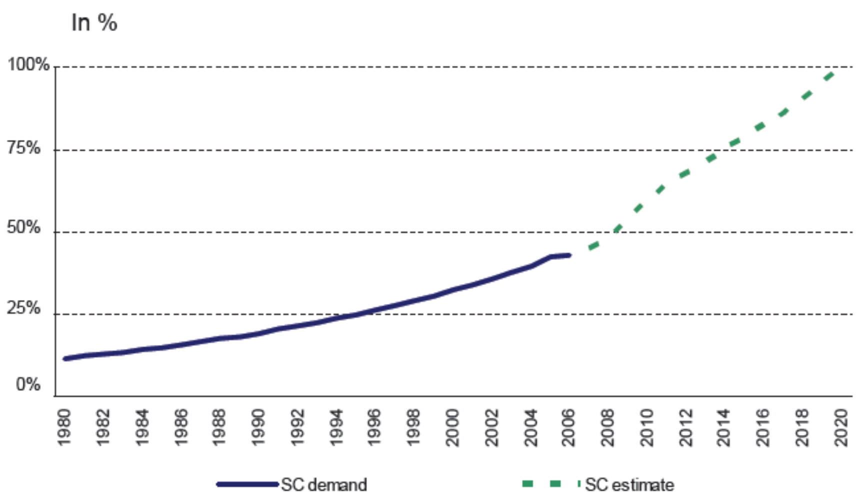
In January 2008, Bekaert announced it will invest in a new steel cord production plant in the Lipetsk Special Economic Zone in Russia. This investment of more than EUR 97m will take place in phases over the period 2008–2013. The first phase, 15,000 tonnes capacity implying a EUR 20m investment, is scheduled to enter production in 2010. The semi product will start production in 2011, while the capacity of the finished product will be doubled to 30,000 tonnes towards 2013. We expect that this investment will add EUR 20m to revenues in 2010 or 1% of revenues, going up to EUR 45m in 2013.

Bekaert already has a portfolio of customers in Russia for steel cord products for tire reinforcement, steel fibers for concrete reinforcement and other specialized wire products. Bekaert's Russian customers are currently being supplied by its plants in Central Europe.

Bekaert points out that there is strong growth potential in the Russian market driven by continuing investments in new automotive plants and heavy truck manufacturing (Volvo, Scania doing feasibility study) and broadening customer base (NKS, Conti, Nokian, Belshina, Amtel, Sibur, Ukraine, Matador, etc.). In addition, a local player Silur stopped its steel cord activities.

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 13 Russian steel cord market



Source: Bekaert presentation February 2008

The size of the Russian market is currently estimated at 60,000 tonnes. Bekaert expects the market to grow to 80,000 tonnes in 2010.

Bekaert is not only entering Russia for the growth potential of the market. 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.

Bekaert is already studying the Russian market for several years and tried to buy Uralkord, the leading player in the market. In February 2006, Bekaert announced that it opened talks with Uralkord, which as a steel cord capacity of 15,000 to 20,000 tons. In December 2006, Bekaert signed a letter of intent to acquire Uralkord for an EV of EUR 47m. At the end of 2007, Bekaert ended negotiations since its acquisition criteria could not be met. The Russian expansion has been delayed but we applaud the financial discipline of the group.

Indonesia: Wire opportunities

Bekaert invested in 2007 in coated wire products in Indonesia. Management believe that Indonesia is a well placed as export base in Southeast Asia and announced at its Analyst Day in February 2008 that it will invest EUR 22m in additional galvanizing capacity and that it will set up a plant for Dramix (steel fibres for concrete reinforcement). In total 40,000 tonnes will be added, gradually built up to 2010. Bekaert expects that this will add EUR 35m to revenues or 1.6% of consolidated revenues.

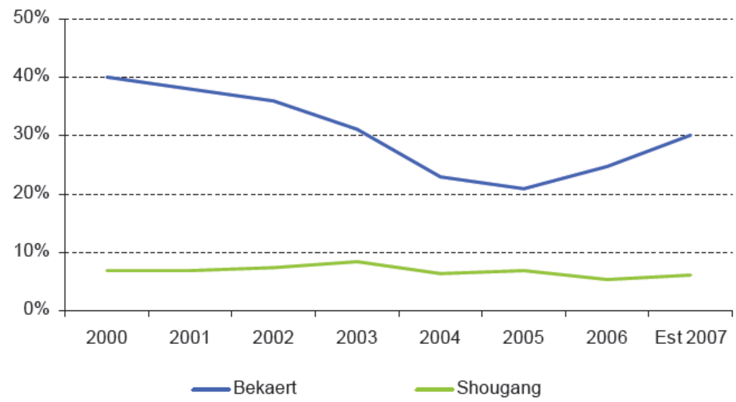
Taking market share in China

Bekaert continues to invest a big part of its FCF to expand its steel cord capacity in China. The group increased its steel cord capacity from 125,000 tonnes in 2005 to 200,000 tonnes at the end of 2006 and 250,000 tonnes at the end of 2007. The number of employees in China has grown from 150 in 2000 to 5,275 at the end of 2007. This implies that including joint ventures, 1 out of 3 employees is Chinese.

Next step in China seems the expansion of the product mix towards wire products that Bekaert already offers in the other parts of the world. Combined with the further expansion in steel cord, China is expected to remain the growth driver of the group in the coming years. At the end of 2007, China already represented 17% of the group's consolidated revenues.

In steel cord, Bekaert is clearly gaining market share again as its growing much faster than its closest competitors. We estimated that Bekaert is market leader with an estimated market share of slightly above 30%. Bekaert will continue to increase its capacity in China and intends to invest another EUR 100m in 2008, which is expected to result in 300,000 tons capacity at the end of the year. In addition, the group just opened a new plant which will be partly used to supply half products to Shougang, the n°4 steelcord player in China in which Bekaert has a 13% equity stake.

Exhibit 14 Steel cord market shares in China



Source: Bekaert presentation February 2008

Market drivers

In 2006 China became by far world's largest steelcord market. The market growth is driven by a super cocktail of

- <u>Fast development of its road infrastructure and logistics</u>:

  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 in the next 15 to 20 years is estimated at 85,000 km. The ongoing investments in roads and bridges in China will further stimulate road transportation and as such demand for steel reinforced tires.

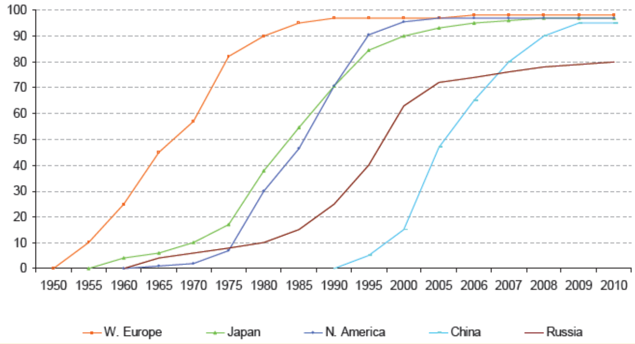
- <u>increase of number of vehicles</u>

  The ongoing strong demand for automobiles is one of the major drivers behind the rapidly growing tire industry. According to the Chinese National Bureau of Statistics, China's automobile output was up by 25% in 2007 and China is now the second largest customer and third largest producer of automobiles globally. In 2007, China produced nearly 9 million vehicles in 2007. Demand for transportation linked to China's GDP growth combined with the rapidly expanding road network should lead to further substantial increase of the automotive market in the coming years.

- <u>fast increasing penetration of steel reinforced of tires</u>

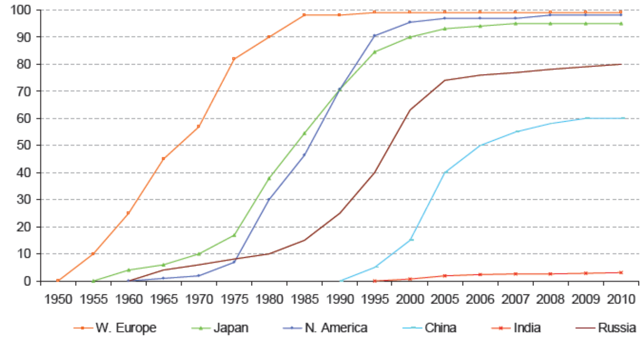
  The development of the road network does also lead to a rapid increase of the penetration of steel reinforced tires. Xingda reported that tire radialization for passenger cars in China amounted at the end of 2007 to 70% compared to 99% in the Western world. Within the truck segment, in which Bekaert generates the majority of its revenues, tire radialization stands only slightly above 50%. The truck tire market plays an important role in the overall demand for steelcord due to faster replacement rate and the larger volume of steelcord required for manufacturing a truck tire as compared to passenger car tire. The China Rubber Industry Association expects that penetration of steel reinforced tires increases to 80%-90% in 2010.

Exhibit 15 Penetration steel reinforced passenger tires



Source: Bekaert presentation February 2008

Exhibit 16 Penetration steel reinforced truck and buss tires



Source: Bekaert presentation February 2008

- <u>China becoming world's tire production base</u>

  According to the China Rubber Industry Association, total tire output rose in '07 by 18% to 330m units, of which radial steel reinforced tire represented 230m, up by 28% yoy. Tire manufacturers are more and more exporting out of China. In '07, 141m tires have been exported out of China, representing a yoy growth of 27%. This implies that 43% of the Chinese tire production is exported mainly to the US.

  It seems just a question on time before China becomes the world's largest tire producer and export base. More and more worldwide tire giants are setting up production facilities in China and the tire industry in China has been undergoing consolidation. Out of the top 10 world players, 9 have production facilities in China spread over 15 plants. In total there are 57 tire producers in China which the local players getting strong footprint, especially in the Truck segment.

  Such phenomena have directly benefited upstream manufacturers in the tire production chain, in favour of particularly large independent manufacturers. We estimate that 65% of tire plants buy steel cord needs in the open market compared to 50% a few years ago. As such, the addressable market for independent players like Xingda, Shougang and Bekaert increased significantly. Most tire producers in China are not integrated such as Bridgestone and Michelin which makes the bulk of the steel cord themselves. As such market share gains of the Chinese tire manufacturers and the increasing market share of in China-made tires globally is good news for the independent steel cord producers.

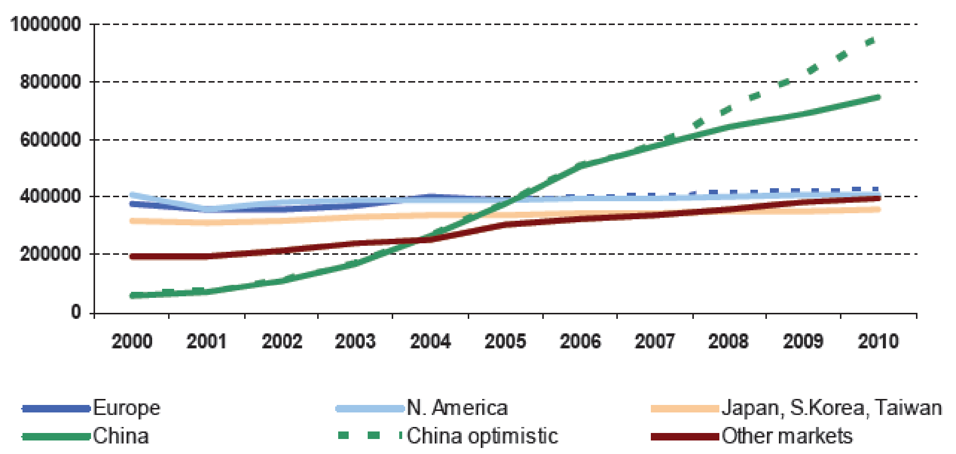
Bekaert is leading player with growing market share

According to the forecasts of the China Rubber Industry Association and other authoritative organizations, the demand for radial tire cords in China will exceed 800,000 tonnes in 2008, an increase of over 25% when compared with 2007.

This is even faster than Bekaert's most optimistic scenario. During its analyst Day in November 2006, Bekaert expected that the steelcord market in China would further grow towards 750,000 tonnes in 2010. During the analyst day in February 2008, Bekaert added to this base scenario a second and more optimistic scenario leading to a market of almost 1 million tonnes in 2010.

Besides demand for steel reinforced tires for cars, trucks and busses, the 'Off the road' radial tire, used on road construction and mining vehicles, is becoming an additional growth engine for steel cord producers. Bekaert was the first independent steel cord manufacturer to supply Chinese tire plants with steel cord for off the road tires.

Exhibit 17 China became largest steelcord market



Source: Bekaert presentation February 2008

Bekaert increased its steelcord capacity from 125,000 tonnes in 2005 to 200,000 tonnes during 2006, which was 20,000 tonnes more than initially announced. At the end of 2007, Bekaert had an installed steel cord production capacity of 250,000 tonnes.

The group announced it will further 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. If the market indeed grows towards 1m tons in 2010, we believe that Bekaert will at least maintain its market share and as such the group could end up with 400,000 ton steelcord capacity at the end of this decade. Most likely, this will imply a fourth factory.

Bekaert and Xingda, quoted in Hong Kong, are by far the largest independent steelcord producers in China with a combined market share over 55%. Xingda increased its production capacity in 2007 by 22% to 237,100 tons, which was lower than initially targeted by the company, but its utilization rate dropped to 84% from 85% in 2006. Korean company KISS has approximately 70,000 tons installed steelcord capacity. Shougang, the n° 4 in China and also quoted in Hong Kong, is significantly smaller with a capacity of 30,000 tonnes. Other players are Tokusen, Hyosung and Tokyo Rope.

Bekaert is clearly gaining market share as it is growing much faster than its closest competitors. 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 slightly over 30%.

In ‘06 Bekaert’s capacity expansion resulted into a revenue increase of 54% despite lower pricing levels. Xingda’s tire cord volume increased by 19% in ‘06 to 167,000 tonnes and revenue grew by 7.6%, indicating that its price level was down by approximately 11%. Shougang recorded only a volume growth of 3.4% in ‘06, which resulted in a revenue decline of 4.4% given the lower selling prices.

In 2007, Bekaert further increased its market share. Bekaert posted an impressive revenue growth of 52% in local currency compared to a 10.5% revenue growth at Xingda and a 10.9% revenue growth at Shougang. Xingda's volumes were up by 20.8%, driven by growth in the high margin truck tire segment. In the low margin passenger car tires, Xingda’s volumes increased by 8%. Xingda states that due to fierce market competition and the unfavourable product mix change, the overall average selling price fell 8.2% year-on-year. Given the lack of incremental capacity, Shougang recorded only a 8% volume growth in 2007.

Exhibit 18 Revenue growth Bekaert, Xingda and Shougang

	2005	H1'06	2006	H1'07	H2'07
Bekaert	39%	38%	54%	53%	45%
Xingda	40%	6%	7%	8%	12%
Shougang	55%	2%	-4%	1%	21%

Source: company reports

All players plan to add incremental capacity in the coming years in order to cope with the expected market growth. Xingda will speed up expansion targeting to increase the annual production capacity by 40,000 to 50,000 tonnes a year in each of the next 3 years, reaching a total production capacity for radial tire cords of approximately 400,000 tonnes by 2011. Previously, Xingda was targeting a capacity increase of 30,000 to 40,000 tonnes a year. Shougang, helped by the supply of half products by Bekaert, targets an increase of 30,000 tons to 60,000 tons at the end of Q2 2008.

Consolidation in pipeline?

Besides expanding its steelcord capacity, Bekaert is significantly increasing its production capacity for half products, where the group has a clear competitive advantage. The company will sell a part of this new 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. Due to some capital increases, Bekaert’s stake is diluted to 13.3%.

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 will increase its capacity towards the end of Q2 to 60,000 tonnes and to 80,000 tonnes in 2009. Bekaert is supplying half products such as brass coated wires to support the expansion. In addition, Bekaert is marketing Shougang’s steelcord in markets outside China, while both parties intend to create synergies in purchasing area. In addition, Bekaert is present in the Board of Shougang.

We believe that Bekaert took a smart decision to enter the capital of one of its key competitors. We would not be surprised that this move could lead to a consolidation in the Chinese steelcord market. Despite the bright outlook for steelcord producers, we do not expect new entrants in the market given the high entry barriers of the industry and the lengthy supplier approval process required by tire manufacturers. The approval process is complicated and lengthy. The process generally includes lab tests, road tests and pilot applications etc. The approval process may take 6 to 18 months by tire manufacturers in China, while multinational tire manufacturers can take up to 2 to 3 years. In addition, in order to maintain consistency of product quality, tire manufacturers will normally only source steelcord from a limited number of approved suppliers. Bekaert is known for its high quality products, which is a clear advantage in this industry.

Very strong end of 2007, but look at the FCF!

Bekaert posted a strong set of 2007 results. Despite high energy, high raw material prices, unfavourable forex and a 14.4% increase in its R&D expenses, EBIT increased by 20% and EBIT margin improved to 8.6% from 8.1% last year. This implies that the strong revenue in China is profitable and improving overall margins.

Organic revenue translated into margins expansion.

Revenues grew by 8.2% in 2007 to EUR 2,174m. Organically revenues were up by 8% vs +6.3% expected, while acquisitions added 2.5% to revenues and forex had a negative 2.3% contribution.

However the main surprise came from the US Wire division that posted an organic revenue growth of 6% driven by export opportunities, more particularly for reinforcement of flexible pipes in the offshore sector. Building products posted a sales growth of 14%, while strong demand for flat and profiled wire for reinforcement of flexible pipes and an improved product mix was responsible for 7% growth in Wire Europe. Steel cord activities outside China were down by 6% or 3% organically. The decline is mainly driven by capacity reductions in US. Latin America performed also very strongly with revenues up by 11.5%.

Organic revenue growth clearly accelerated during 2007. In H1, revenues were up by 6% organically, accelerating to 8% in Q3 and an impressive 12% in Q4. We believe that improving pricing power helped the strong end of the year.

Exhibit 19 2007 results

	2006	2007
Revenues	2,010	2,174
EBITDA	262.2	298.6
Depreciations	116.2	124.0
EBIT	145.9	174.6
Financial result	(25.1)	(32.5)
Other non-operating income & exp	(6.6)	(8.5)
Associates	51.0	47.1
Taxes	(18.1)	(19.1)
Minorities	(4.8)	(8.7)
Net profit	142.3	152.9
Net adjusted earnings	147.8	152.9
avg n° of shares outstanding	21.5	20.0
EPS in EUR	6.88	7.63

Source: Bekaert / Petercam estimates

In spite of the increase in energy & raw material prices, gross margin improved slightly from 19.7% to 20%. As a result, gross profit increased by 10% yoy to EUR 434m.

SG&A went up by 4% to 259m driven by an increase in R&D spend of 147.4% to EUR 57m. This leads to an EBIT growth of 20% to EUR 174.6m, which includes EUR 11.7m restructuring and non-recurring costs. Excluding these items comes in at EUR 186.3m, implying an 8.6% margin.

Financial charges went up from EUR 25m to EUR 32.5m reflecting the higher net debt position. Non-operating non cash financial expenses came is at EUR -8.5m. Tax rate remained low at 14.3%. Bekaert continues to keep its tax rate low thanks to tax breaks received in the countries where it is heavily investing.

The equity consolidated companies posted a profit of EUR 47.1m, down 7.6% yoy. Besides a negative forex impact and the consolidation impact in Q4 after Bekaert acquired 100% in Venezuela, operations in Chile witnessed a profit decline of 20% due to Asian imports. In addition, the closure of the Australian steel cord plant led to a loss of EUR -1.7m.

Minorities came in at EUR -8.7m vs EUR -4.8m in 2006, which is almost due to the recovery of the Turkish operations.

This leads to a net profit came in at EUR 153m. Given the decline of 7% in average share outstanding, EPS went up by 11% to EUR 7.63.

High cash conversion fund capex & share buy back

Cash conversion remains high. Cash flow from operations grew by 16% to EUR 245m, underpinned by a EUR 54.7m dividend inflow from the associated companies compared to EUR 35.2m in 2006. Working capital led to a cash outflow of EUR 42m and amounted to 21.8% of revenues (22% in 2006). The increase in WCR is mainly linked to the fast growth of Chinese operations.

Bekaert continues to increase its capacity in BRIC countries and invested again heavily in 2007. Capex went up to EUR 200m, of which more than 50% was spent in China, and remains substantially above the maintenance level of EUR 90m per year.

On top of its aggressive capex program, Bekaert continued its share repurchase program, which started in Q4'06. In 2007, the group bought back 1.1m of shares (5.3% of the outstanding capital) for a total amount of EUR 111m. Dividend was increased by 10.4% to EUR 2.76 per share, leading to a cash outflow of EUR 55m.

This resulted in a net debt at the end of H1 of EUR 448m compared to EUR 378m at the end of 2006. Despite historical high capex and the share buy backs, gearing ratio increased only slightly to 39% still significantly below the targeted 50% and net debt to EBITDA reached only 1.5x.

Outlook

Increasing prices should offset raw material hike

Traditionally Bekaert gave a non quantitative outlook. After FY 2007 results, the company stated that it expects continuous growth in its activities in 2008, supported by strong capital investment programs of EUR 200m, mainly in China, India, Indonesia and Russia. Management will pay particular attention to the rising wire rod prices and procurement.

The group indicated at the analyst meeting that the strong trend witnessed in Q4 continued in Q1. As a result the year started strongly despite the fact that mature markets remain challenging.

We expect volumes in China, Latin America, Eastern Europe to remain good in 2008 driven by ongoing strong demand from offshore markets and the Chinese tire market. In our model we pencilled in a slowdown in Wire Europe (-2% organically) and in Wire US (-4% organically).

Key in 2008 will become the ability of Bekaert to increase its selling prices given the inflation of its key raw material. Recent comments made by tire manufacturers and by peers such as Xingda and Shougang indicate that selling prices are increasing in steel cord.

Xingda stated that in the second half of 2007, the sustainable strong market demand for steel cord has helped stabilizing the average selling price. In order to pass through the surging raw material prices, Xingda raised the selling price of both radial tire cords and bead wires on 1 January 2008. Besides, to cope with the hiking steel rod price, the group changed the pricing strategy from annual basis to quarterly basis in order to align with the steel rod procurement contracts. Also in the US, tire manufacturers indicated that steel cord prices went up by double digit in Q1.

We believe that 2008 could become a copy of 2004, in which wire rod prices spiked as well. Bekaert was able to raise prices as well and reported an organic revenue growth of 22%, mostly driven by price hikes. Year to date, we estimate that wire rod prices are up approximately 10%, however with significant regional differences. Industry sources suggest further rise of wire rod prices in the coming months.

Exhibit 20 Scrap price index

Source: Eurofer

All in all, we expect a stable gross margin at 20% in 2008, with rising raw material prices partly offset by price hikes, partly by the ongoing upgrade of the product mix and the higher weight of Emerging Markets in Bekaert's revenues, where margins are above group average. In addition Bekaert's gross margin should benefit from the full year impact of the Vicson acquisition.

SG&A are expensed to increase by 4.7%, driven by further step up of R&D. This should result in an EBIT growth of 8% to EUR 188m, implying a margin of 8.2%. We believe that Bekaert's margin should also benefit from the increasing weight of the Chinese steel cord business, which will account fort 19% of revenues in 2008. Xingda reported an EBIT margin of 18% in 2007 and Shougang realized an EBIT margin of 12% last year. Given Bekaert's high market share in the high margin truck steel cord market, its premium pricing and high utilization rate, we believe that its margins in China are above the group average. In addition, Bekaert finances its EUR 100m capex program out of the Chinese cash flow, implying that cash conversion in China is strong.

Financial charges are expected to increase given another year of EUR 200m capex, which should result in a higher debt level. Bekaert expects tax rate to remain relatively low thanks to tax breaks, linked to its heavy investment schedule.

Contribution of the equity consolidated business is expected to drop by 3% in 2008, due to the buy-out of the activity in Venezuela, which contributed EUR 5.3m to results last year. On the other hand, restructuring losses in Australia will disappear.

This leads to an net profit growth of 4% to EUR 158.7m and an EPS growth of 5.5% to EUR 8.05. The group bought back already 161,000 shares year–to-date

Profit & Loss (EUR m)	**12/04**	**12/05**	**12/06**	**12/07**	**12/08e**	**12/09e**	**12/10e**
Revenues	**2,173.2**	**1,914.3**	**2,009.6**	**2,173.6**	**2,290.0**	**2,394.5**	**2,476.8**
(Y/Y - %)	*21%*	*-12%*	*5%*	*8%*	*5%*	*5%*	*3%*
Gross profit	490.8	392.1	394.9	433.9	459.9	486.8	507.8
Selling expenses	-111.7	-92.4	-96.7	-98.2	-100.4	-106.6	-110.4
R & D expenses	-53.9	-45.0	-49.6	-56.7	-63.0	-64.2	-66.6
General & administ. expenses	-108.9	-100.4	-95.3	-96.6	-98.2	-104.6	-107.9
Other expenses	-31.3	-18.0	-7.4	-7.8	-10.0	-8.2	-10.3
EBITDA	**313.5**	**257.4**	**267.7**	**298.6**	**318.3**	**339.2**	**352.6**
EBITA	192.1	150.0	151.4	174.6	188.3	203.2	212.6
(Ebita margin - %)	*8.8%*	*7.8%*	*7.5%*	*8.0%*	*8.2%*	*8.5%*	*8.6%*
Amortization	-10.2	-13.7	0.0	0.0	0.0	-10.5	-7.0
Impairment	-	-	-	-	-	-	-
EBIT	185.1	136.3	145.9	174.6	188.3	203.2	212.6
Net Financial Result	-30.6	-26.9	-25.1	-32.5	-39.3	-40.1	-36.7
(of which Net interest charges)	-16.4	-19.7	-23.2	-32.5	-39.3	-40.1	-36.7
(of which Other)	-14.2	-7.2	-1.9	0.0	0.0	0.0	0.0
Pre-tax result	154.5	121.0	114.2	133.6	148.9	163.1	176.8
Taxes	-28.1	-30.3	-18.1	-19.1	-26.8	-35.9	-38.7
Except. / Discont. operations	0.0	-	-	-	-	-	-
Associates	56.8	56.9	51.0	47.1	45.5	47.6	49.4
Minorities	-12.4	-12.0	-4.8	-8.7	-9.0	-10.0	-11.0
Net declared earnings	167.6	189.9	142.3	152.9	158.6	164.8	176.6
Net adjusted earnings	**183.4**	**149.4**	**147.8**	**152.9**	**158.6**	**164.8**	**176.6**

Cash Flow (EUR m)	**12/04**	**12/05**	**12/06**	**12/07**	**12/08e**	**12/09e**	**12/10e**
EBIT	185.1	136.3	145.9	174.6	188.3	203.2	212.6
Depreciation	121.4	107.5	116.2	124.0	130.0	136.0	140.0
Amortization	7.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment	0.0	13.7	0.0	0.0	0.0	0.0	0.0
Changes in provision	-7.5	-15.3	0.0	0.0	0.0	0.0	0.0
Changes in working capital	-107.2	-2.0	-31.9	-41.9	-31.3	-26.4	-23.6
Others	8.8	-5.5	-8.4	-1.5	0.0	0.0	0.0
Operational Cash Flow	**207.5**	**234.6**	**221.8**	**255.2**	**287.0**	**312.8**	**329.0**
Tax expenses	-32.9	-25.5	-16.8	-24.9	-26.8	-35.9	-38.7
Dividends from associates	22.8	43.6	35.2	54.7	38.7	40.5	42.0
Net interest charges	-16.0	-14.8	-22.0	-30.8	-39.3	-40.1	-36.7
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CF from operating activities	**181.4**	**237.9**	**218.1**	**254.2**	**259.5**	**277.3**	**295.6**
CAPEX	-172.9	-151.6	-161.3	-199.8	-200.0	-120.0	-120.0
Investments in intangibles	-	-	-	-	-	-	-
Acquisitions	-16.7	-21.2	-42.7	-14.7	-40.4	0.0	0.0
Divestments	6.6	93.0	11.4	8.0	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	**-182.9**	**-79.9**	**-192.6**	**-206.6**	**-240.4**	**-120.0**	**-120.0**
Dividend payment	-45.3	-52.2	-74.1	-57.2	-54.7	-63.9	-68.8
Minor. & pref. dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity financing	1.2	-35.2	-52.8	-111.0	-14.4	0.0	0.0
Others	-2.0	12.0	0.0	0.0	0.0	0.0	0.0
CF from financing activities	**-46.0**	**-75.4**	**-127.0**	**-168.2**	**-69.1**	**-63.9**	**-68.8**
Changes in consolidation scope	-	-	-	-	-	-	-
Exchange rate impact	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt/cash change	**-47.5**	**82.7**	**-101.5**	**-120.6**	**-50.0**	**93.4**	**106.7**
FCF to Enterprise	34.7	150.1	133.4	157.8	197.0	222.8	240.0
FCF to Equity	241.4	147.8	121.3	155.3	169.5	187.3	207.6

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

Balance Sheet (EUR m)	12/04	12/05	12/06	12/07	12/08e	12/09e	12/10e
Tangible fixed assets	791.6	799.8	824.2	917.6	995.7	969.7	938.7
Intangible fixed assets	118.4	125.4	134.5	122.0	122.0	122.0	122.0
(of which Goodwill)	76.0	79.9	77.0	70.1	70.1	70.1	70.1
(of which Other intang. assets)	42.4	45.5	57.5	51.9	51.9	51.9	51.9
Financial fixed assets	316.5	268.2	309.2	246.4	240.2	247.3	254.7
Total fixed assets	1,226.6	1,193.4	1,267.8	1,286.0	1,357.9	1,339.0	1,315.4
Working capital	474.0	453.9	401.1	511.6	542.9	569.3	592.9
Capital invested	**1,700.6**	**1,647.3**	**1,725.6**	**1,797.7**	**1,900.8**	**1,908.3**	**1,908.3**
Total Equity	958.5	1,130.3	1,121.3	1,146.6	1,230.5	1,331.4	1,439.1
Equity	909.7	1,079.2	1,072.5	1,098.2	1,202.1	1,303.0	1,410.7
Minorities & preferred	48.8	51.1	48.9	48.4	28.4	28.4	28.4
Provisions & deferred taxes	286.7	242.3	222.8	201.0	170.2	170.2	170.2
Net financial debt	455.4	271.7	377.6	448.1	498.1	404.7	297.0
Capital employed	**1,700.6**	**1,647.3**	**1,725.6**	**1,797.7**	**1,900.8**	**1,908.3**	**1,908.3**
Total assets	2,189.3	2,231.7	2,163.0	2,309.7	2,422.6	2,449.9	2,470.6

EV and CE details (EUR m)	12/04	12/05	12/06	12/07	12/08e	12/09e	12/10e
Market cap.	**1,285.1**	**1,699.8**	**1,983.7**	**1,824.5**	**1,804.3**	**1,804.3**	**1,804.3**
+ Net financial debt	455.4	271.7	377.6	448.1	498.1	404.7	297.0
(of which LT debt)	-	-	-	-	-	-	-
(of which ST debt)	-	-	-	-	-	-	-
(of which Cash position)	-	-	-	-	-	-	-
+ Provisions (pension)	172.0	138.9	135.6	120.8	90.0	90.0	90.0
+ Minorities (MV)	48.8	51.1	48.9	48.4	33.4	28.4	28.4
- Peripheral assets (MV)	-326.1	-402.8	-571.7	-613.1	-613.1	-613.1	-613.1
+ Others	-	-	-	-	-	-	-
Enterprise Value	**1,635.2**	**1,758.7**	**1,974.0**	**1,828.6**	**1,812.7**	**1,714.3**	**1,606.6**
Equity (group share)	**909.7**	**1,079.2**	**1,072.5**	**1,098.2**	**1,202.1**	**1,303.0**	**1,410.7**
+ Net financial debt	455.4	271.7	377.6	448.1	498.1	404.7	297.0
+ Provisions (pension)	172.0	138.9	135.6	120.8	90.0	90.0	90.0
+ Minorities	48.8	51.1	48.9	48.4	28.4	28.4	28.4
- Peripheral assets	-226.1	-242.2	-239.4	-220.2	-214.0	-221.1	-228.5
+ Others	-	-	-	-	-	-	-
Capital employed (for ROCE)	**1,359.9**	**1,298.7**	**1,395.1**	**1,495.2**	**1,604.6**	**1,605.0**	**1,597.6**
+ Accumulated goodwill amortiz.	57.3	57.3	57.3	57.3	57.3	57.3	57.3
CE (for ROCE grossed gdwll)	**1,417.2**	**1,356.0**	**1,452.4**	**1,552.6**	**1,661.9**	**1,662.3**	**1,654.9**

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

Per Common Share (EUR)	12/04	12/05	12/06	12/07	12/08e	12/09e	12/10e
Adjusted EPS (*)	**8.38**	**6.91**	**6.88**	**7.63**	**8.05**	**8.38**	**8.98**
Adjusted EPS (fully diluted)	8.21	6.88	6.88	7.63	8.05	8.38	8.98
Declared EPS	-	-	-	-	-	-	-
CFS	13.94	11.87	12.29	13.82	14.64	15.29	16.09
FCF (to Equity)	11.04	6.83	5.64	7.75	8.60	9.52	10.55
Dividend	2.00	3.00	2.50	2.76	3.25	3.50	3.75
Book Value	41.59	49.89	49.90	54.80	60.99	66.24	71.72
Shares (m)							
At the end of F.Y.	21.874	21.530	20.947	19.831	19.670	19.670	19.670
Average number	21.874	21.633	21.492	20.039	19.710	19.670	19.670
Fully diluted Average number	22.410	21.708	21.597	20.367	20.026	19.986	19.986

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

Ratios	12/04	12/05	12/06	12/07	12/08e	12/09e	12/10e
Valuation analysis							
P/E	7.0	11.4	13.8	12.1	11.4	10.9	10.2
P/CF	4.2	6.6	7.7	6.7	6.3	6.0	5.7
P/BV	1.4	1.6	1.9	1.7	1.5	1.4	1.3
EV/Sales	0.8	0.9	1.0	0.8	0.8	0.7	0.6
EV/EBITDA	5.2	6.8	7.4	6.1	5.7	5.1	4.6
EV/EBITA	8.5	11.7	13.0	10.5	9.6	8.4	7.6
EV/EBIT	8.8	12.9	13.5	10.5	9.6	8.4	7.6
EV/CE	1.2	1.4	1.4	1.2	1.1	1.1	1.0
EV/CE (grossed goodwill)	1.2	1.3	1.4	1.2	1.1	1.0	1.0
EV/FCF (1)	47.2	11.7	14.8	11.6	9.2	7.7	6.7
FCF yield (2)	18.8%	8.7%	6.1%	8.5%	9.4%	10.4%	11.5%
Dividend yield	3.4%	3.8%	2.6%	3.0%	3.5%	3.8%	4.1%
Financial ratios							
Interest cover	7.0	5.1	5.8	5.4	4.8	5.1	5.8
Net Debt/EBITDA	1.5	1.1	1.4	1.5	1.6	1.2	0.8
Net Debt/Equity	47.5%	24.0%	33.7%	39.1%	40.5%	30.4%	20.6%
Net Debt/FCF (2)	1.9	1.8	3.1	2.9	2.9	2.2	1.4
Capital turnover	1.5	1.5	1.4	1.5	1.4	1.5	1.6
ROCE pre-tax	14.4%	12.9%	11.7%	12.5%	12.7%	13.6%	14.2%
ROCE post-tax	11.9%	12.4%	11.2%	12.0%	12.2%	13.1%	13.8%
ROCE pre-tax (grossed goodwill)	12.7%	9.7%	9.8%	10.7%	10.4%	10.6%	11.1%
ROCE post-tax (grossed gdwll)	10.5%	9.3%	9.4%	10.3%	10.0%	10.2%	10.7%
ROE	21.8%	13.8%	13.8%	13.9%	13.2%	12.7%	12.5%
Working capital (in % of sales)	21.8%	23.7%	20.0%	23.5%	23.7%	23.8%	23.9%
Payout	26.1%	43.4%	36.3%	36.2%	40.4%	41.8%	41.8%
Margin analysis and tax rate							
Gross margin	22.6%	20.5%	19.7%	20.0%	20.1%	20.3%	20.5%
EBITDA margin	14.4%	13.4%	13.3%	13.7%	13.9%	14.2%	14.2%
EBITA margin	8.8%	7.8%	7.5%	8.0%	8.2%	8.5%	8.6%
Adjusted profit margin	8.4%	7.8%	7.4%	7.0%	6.9%	6.9%	7.1%
Tax rate	17.0%	24.6%	15.9%	14.3%	18.0%	22.0%	21.9%
Growth analysis							
Sales	21%	-12%	5%	8%	5%	5%	3%
EBITDA	33%	-18%	4%	12%	7%	7%	4%
EBITA	62%	-22%	1%	15%	8%	8%	5%
Adjusted profit	78%	-19%	-1%	3%	4%	4%	7%
Adjusted EPS	80%	-18%	0%	11%	5%	4%	7%
Dividend	14%	50%	-17%	10%	18%	8%	7%

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

Notes -

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	SELL	REDUCE	HOLD	ADD	BUY
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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%

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