

Michelin expansion in BRIC

Large Investment program Michelin

- In recent days and weeks Michelin announced several large investment programs, all located in emerging markets.
- In China its 2 factories are close to saturation and a USD 800m project is being launched. The extended capacity should be operational in 2012. In India, a Greenfield operation will be started for an investment of USD 870m, for truck and bus tires. In Brazil, the extension of an existing factory, together with a Greenfield investment, of combined several hundreds million of dollars will triple capacity as from 2013. And, also in Russia, Michelin aims to increase capacity from 2 to 4m.

Impact on Bekaert: Make or Buy and new or old machines

- The final impact for Bekaert will depend on Michelin's decision to "make" or "buy" the tire cord by itself and on the idle machine capacity it currently has elsewhere in the world.
- Currently, we believe Michelin has quite some idle capacity to fill-up some of these expansions. However, once the economy picks-up this will not be enough to supply the new factories.
- Hence, we believe that Michelin will "buy" some of the tire cord requirements externally. Michelin's make/buy breakdown is currently 70/30 but the aim is to increase the "buy" contribution, as was confirmed by Michelin.
- We believe that in India, Bekaert has a good chance of delivering an important part of the tire cord capacity because Bekaert is currently the sole tire cord producer in India.
- In China, Michelin's strategy is to "buy" a relatively larger part of tire cord. As such, we believe that Bekaert could also become a supplier. Bekaert's factories are within geographical reach.
- In Brazil, Michelin will probably remain more vertically integrated than group average of 70/30.
- The switch from "make" to "buy" is clearly an industry trend with only Pirelli remaining almost 100% integrated because they also make their own machines. Bridgestone is at an estimated 85/15 make/buy, and Continental at an estimated 60/40.
- The switch from make to buy by the tire manufacturers is clearly still a beneficial trend for Bekaert.

Strategy confirmation

- Apart from the make to buy trend the investments made by Michelin also highlight the trend from mature markets towards BRIC countries. Bekaert has largely anticipated this trend in previous years and, as the most global tire cord producer in the world, will strongly benefit from it.
- Including Eastern Europe, growth regions represent an estimated 70% of combined sales and China, the strongest growing region, has by far the highest margins.

Estimates update and valuation

- These investments that will be carried out over a 3 to 4 year time frame confirm our long term positive stance on Bekaert.
- Based on some post Q3 sales release housekeeping, we also increase our 2010 EBIT estimate to EUR 230m from EUR 208m before and our 2010 EPS from EUR 7.92 to EUR 8.80.
- We set our new target price at EUR 126, implying a 2010 EV/EBIT and EV/EBITDA ratio of 9.9 and 6.4 respectively.

Buy

Price: EUR 98.43
(20/11/09)

Target price: 126.00

Risk: Medium

Reuters: BERTt.BR

Bloomberg: BEKB BB

Shares number (m): 19.67

Market cap. (m): 1,936

Net debt 12/09e (m): 484

Net debt/equity 12/09e: 39%

H/L 1 year: 99.20 - 37.88

1 year price perf.: 117%

Diff. with DJ Euro Stoxx 86.9%

Volume (sh./day): 78,330

Free Float 61%

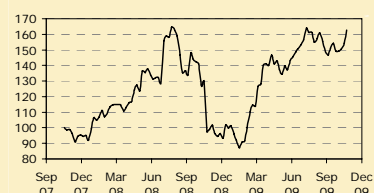
Family shareholders 39%

	08	09e	10e
P/E	4.6	15.4	11.2
EV/EBITDA	3.4	6.7	5.5
EV/EBITA	6.7	11.7	9.1
Div. yield	5.8%	2.8%	2.8%

Company Calendar

26/02/2010 FY 2009 results
31/03/2010 Annual report
12/05/2010 Q1 trading update
19/05/2010 dividend payable
30/07/2010 H1 2010 results
10/11/2010 Q3 trading update

Bekaert relative to DJ Euro Stoxx (20/11/09)



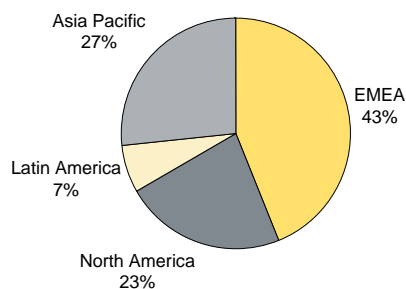
Analyst:

Stefaan Genoe

+32 2 229 64 66

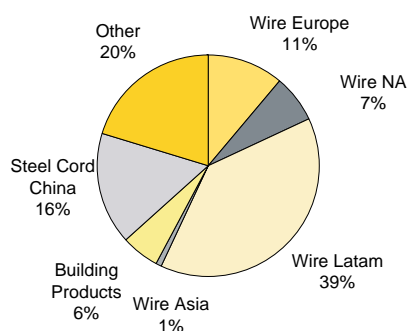
stefaan.genoe@petercam.be

Exhibit 1 Geographical revenue breakdown 08



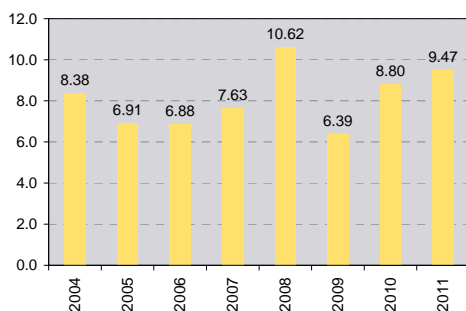
Source: Petercam

Exhibit 2 Divisional revenue breakdown including associates 08



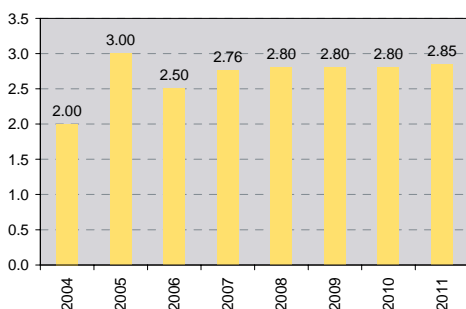
Source: Petercam

Exhibit 3 EPS evolution



Source: Petercam

Exhibit 4 Dividend evolution



Source: Petercam

Profit & Loss (EUR m)	12/07	12/08	12/09e	12/10e	12/11e
Revenues	2,173.6	2,661.8	2,434.9	2,506.2	2,645.8
Gross profit	433.9	601.5	487.9	542.6	571.5
EBITDA	298.6	411.5	330.1	376.9	387.7
EBITA	174.6	210.0	188.8	228.9	237.7
EBIT	174.6	210.0	188.8	228.9	237.7
Depreciation	-124.0	-201.5	-141.3	-148.0	-150.0
Net financial result	-32.5	-41.4	-50.6	-42.7	-34.0
Exceptionals (gross)	-	-	-	-	-
Taxes	-19.1	-25.5	-28.7	-37.9	-41.6
Except./discontinued operations	0.0	0.0	0.0	0.0	0.0
Net declared earnings	152.9	173.6	125.6	173.0	186.3
Net adjusted earnings	152.9	209.3	125.6	173.0	186.3

Cash Flow (EUR m)	12/07	12/08	12/09e	12/10e	12/11e
Changes in working capital	-41.9	-162.4	99.8	-5.4	-36.4
Operational cash flow	255.2	254.9	464.9	380.2	360.0
CF from operating activities	254.2	232.0	417.3	340.2	326.7
CF from investing activities	-206.6	-289.2	-172.3	-150.0	-150.0
CF from financing activities	-168.2	-81.9	-56.3	-55.1	-55.1
CAPEX	-199.8	-251.0	-170.2	-150.0	-150.0
Dividend payment	-57.2	-62.2	-56.3	-55.1	-55.1

Balance Sheet (EUR m)	12/07	12/08	12/09e	12/10e	12/11e
Tangible fixed assets	917.6	1,070.7	1,060.9	1,055.3	1,013.8
Goodwill	70.1	59.1	59.1	59.1	59.1
Total fixed assets	1,335.5	1,408.7	1,385.6	1,402.3	1,369.5
Working capital	591.4	739.9	640.1	645.6	682.0
Total equity	1,146.6	1,172.3	1,241.7	1,359.6	1,490.9
Provisions & deferred taxes	201.0	214.9	214.9	214.9	214.9
Net financial debt	502.2	672.9	484.2	349.1	227.5
Total assets	2,312.6	2,667.2	2,678.8	2,804.6	2,959.9

Shares - per share data (EUR)	12/07	12/08	12/09e	12/10e	12/11e
Adjusted EPS	7.63	10.62	6.39	8.80	9.47
Dividend	2.76	2.80	2.80	2.80	2.85
No shares - average (m)	20.04	19.71	19.67	19.67	19.67

Ratios	12/07	12/08	12/09e	12/10e	12/11e
Adjusted P/E	12.1	4.6	15.4	11.2	10.4
P/BV	1.7	0.8	1.6	1.5	1.3
EV/EBITDA	6.9	3.4	6.7	5.5	5.0
EV/EBITA	11.9	6.7	11.7	9.1	8.2
EV/FCF (1)	13.1	10.9	6.8	7.8	7.9
FCF yield (2)	8.5%	11.8%	15.4%	11.4%	10.7%
Div. yield	3.0%	5.8%	2.8%	2.8%	2.9%
Net Debt/EBITDA	1.7	1.6	1.5	0.9	0.6
ROCE post-tax	11.6%	15.9%	11.7%	14.3%	14.9%
Gross margin	20.0%	22.6%	20.0%	21.7%	21.6%
EBITA margin	8.0%	7.9%	7.8%	9.1%	9.0%

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

Business description

Bekaert seeks sustainable profitable growth based on its two core competences: advanced metal transformation & advanced materials and coatings. The company produces and sells wires for use in the manufacture of industrial springs and in the reinforcement of flexible pipes, through steel fibers for concrete reinforcement, profiled wires, textile machine wires, bookbinding wires and weaving wires, to champagne cork wires, silicon-sawing wire and various types of lacquered and coated wires. High-tensile wires are woven into steel cord products like tire cord and bead wire, which are used in car and truck tires. Steel cord is also used as reinforcement in other polymer applications, such as high-pressure hoses, polyurethane drive belts and conveyor belts.

Advanced materials (5% of sales) cover applications in fiber technologies, combustion technologies and composites. The advanced coatings segment comprises industrial coatings for various materials, applied by vacuum technologies or thermal spraying.

Competitive position

Bekaert is world leader in steel cord and has a dominant position in Brazil and in China, the biggest growth markets for its product. In China it has a market share of close to 40%!

In several other segments, Bekaert is market leader as well, while competition can be severe in the lower added value segments.

Petercam Institutional Research and Sales

www.petercam.com

Place Sainte-Gudule 19 – 1000 Brussels
De Lairessestraat 180 – 1075 HM Amsterdam
JPP Eurosecurities, 595 Madison Avenue – 38th floor – New York, NY 10022

Marc Janssens - Managing Director – +32.2.229.64.28

Analysts

Stefaan Genoe	Head of Research	+32.2.229.64.66
	Telecom/Technology	
Thijs Berkelder	Transport/Media/Staffing	+31.20.573.54.72
Emmanuel Carlier	Industrials/Media	+32.2.229.63.97
Fernand de Boer	Retail/Food	+31.20.573.54.17
Eric de Graaf	IT Hardware & Equipment	+31.20.573.54.64
Delphine Delhez	Biotech	+32.2.229.65.51
Matthias De Wit	Technology/Imaging	+32.2.229.65.56
Kris Kippers	Food & Beverages/Engineering	+32.2.229.65.95
Luuk van Beek	IT Services/Engineering	+31.20.573.54.71
Jan Van den Bossche, CFA	Life Sciences/Chemicals	+32.2.229.66.82
Bart Van den Wijngaard	Industrials/Construction	+31.20.573.54.73
Pieter van der Meijden	Real Estate	+32.2.229.63.40
Stephan van Weeren	Real Estate	+31.20.573.54.22
Alexandre Weinberg, CFA	Industrials/Shipping	+32.2.229.63.42
Senior Advisor		
Marc Debrouwer	Industrials/Utilities	+32.2.229.65.78

Sales

Damien Fontaine	+32.2.229.65.62
Rob de Jong	+31.20.573.54.02
Mathieu De Sutter, CFA	+32.2.229.66.12
Céline Donnet, CFA	+32.2.229.63.80
Xavier Gossaert	+32.2.229.63.27
Laure-Anne Heylen	+32.2.229.66.91
Gerben Lagerwaard	+31.20.573.55.08
Gert Potvlieghe	+32.2.229.66.59
Jurgen Smits van Oyen	+31.20.573.55.03
Sales Trading	
Caroline Colot	+32.2.229.66.18
Hans de Jonge	+31.20.573.54.04
Veronique De Schoemaeker	+32.2.229.66.20
Tim Olijerhoek	+31.20.573.54.10
Richard Schulein	+31.20.573.54.11
Frans van Wakeren	+31.20.573.54.07

JPP Eurosecurities

Arjan Dorrestijn	+1.212.521.67.23
Simon Vlaminck	+1.212.521.67.35

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	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 Petercam coverage universe

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