BEKAERT

better together

Half year results 2014

01 August 2014

Matthew Taylor, Chief Executive Officer

Bruno Humblet, Chief Financial Officer

Address by Matthew Taylor, Chief Executive Officer

Introductory remark

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.
Half year statements are unaudited.

All comparisons are made relative to the figures of the first half of 2013.

Combined sales are sales generated by consolidated companies plus 100% of sales of joint ventures and associates after intercompany elimination.

This document may contain forward-looking statements. Such statements reflect the current views of management regarding future events, and involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Bekaert is providing the information in this document as of this date and does not undertake any obligation to update any forward-looking statements contained in it, in light of new information, future events or otherwise. Bekaert disclaims any liability for statements made or published by third parties and does not undertake any obligation to correct inaccurate data, information, conclusions or opinions published by third parties in relation to this or any other announcement issued by Bekaert.

Content

- **Highlights**
- Business review
- Financials
- Outlook

BEKAERT
better together

Highlights first half 2014

- Organic volume growth of 3.9%
- Consolidated sales of € 1.61 billion, (-2.4%), combined sales of € 2.02 billion (-5.4%)
- Currency impact : € -85 million (-5.1%) on consolidated sales and € -158 million (-7.4%) on combined sales
- Negative price/mix effect (-1.2%), mainly reflecting lower wire rod prices
- REBIT of € 101 million (6.3% margin)
- Non-recurring items of € +16.6 million
- EBIT of € 118 million (7.3% margin)
- EBITDA of € 190 million (11.8% margin)
- EPS: € 1.34 compared with € 0.45
- Net debt of € 673 million, versus € 770 million on 30 June 2013; € 574 million at year end

Content

- Highlights
- **Business review**
- Financials
- Outlook

BEKAERT
better together

Business review

- Solid volume growth in a difficult global industrial environment
- Weakening of the growth of the Chinese industrial economy lowered key commodity prices and affected the output of the mining sector in Latin America with an important impact on those economies
- Lower local demand in China for commodity products increases the export at very low prices, creating price pressure all over the world
- Strong demand in automotive markets globally
- Overcapacity in China resulted in continued price pressure
- Strong Euro had a significant translation impact but limited transactional effect as only 10% of our production is shipped across Regions

EMEA:

Very strong results due to solid volume growth, favorable product mix and sustained effect of cost reduction program.

North America:

Slow recovery mainly driven by better automotive demand while other markets like agricultural and public investments remain weak.

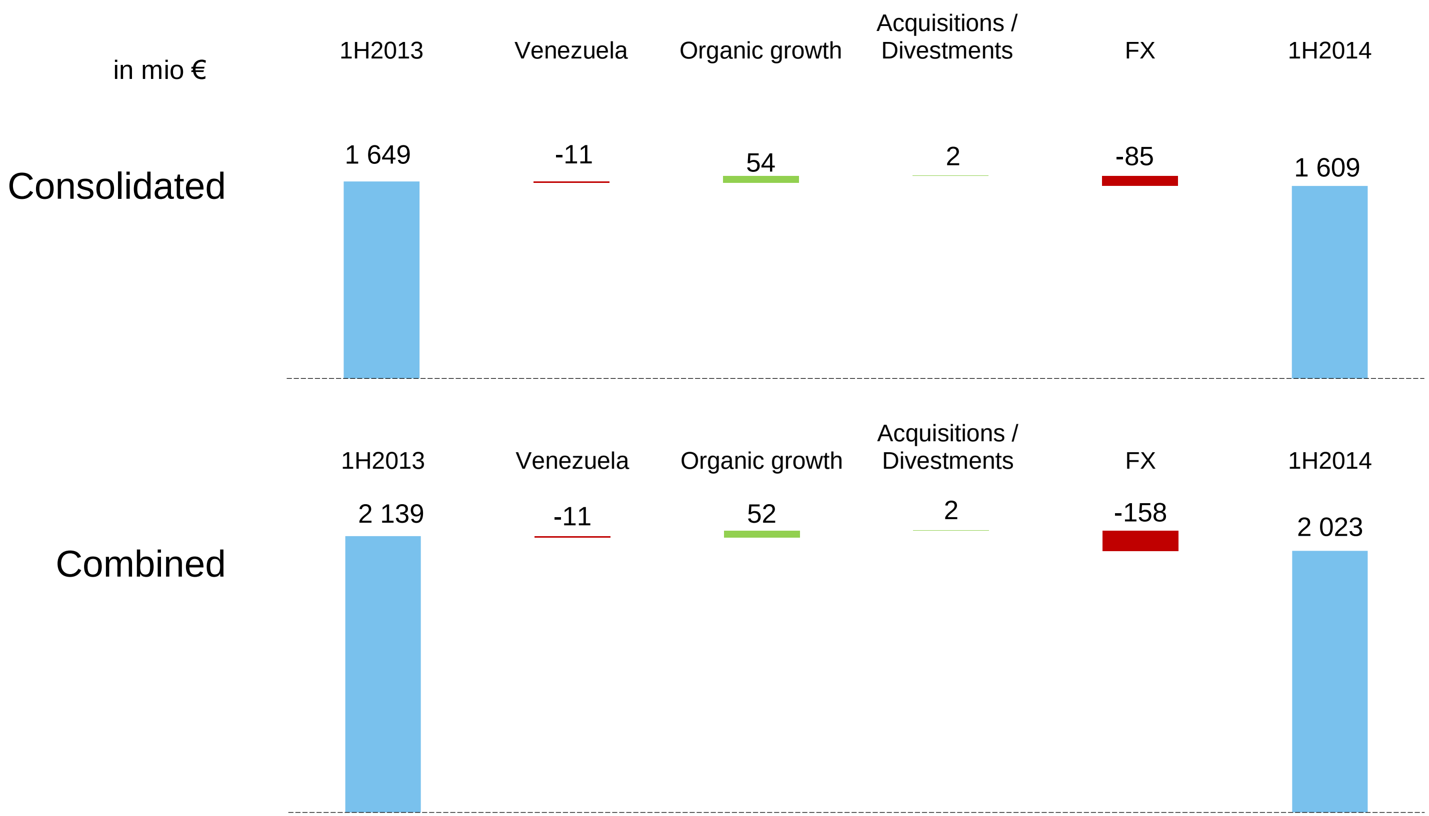
Latin America:

Slowdown in GDP growth driven by weaker mining sector impacted demand and created very competitive price environment in lower end product segments. Political uncertainty in different countries also impacted the economic environment.

Asia Pacific:

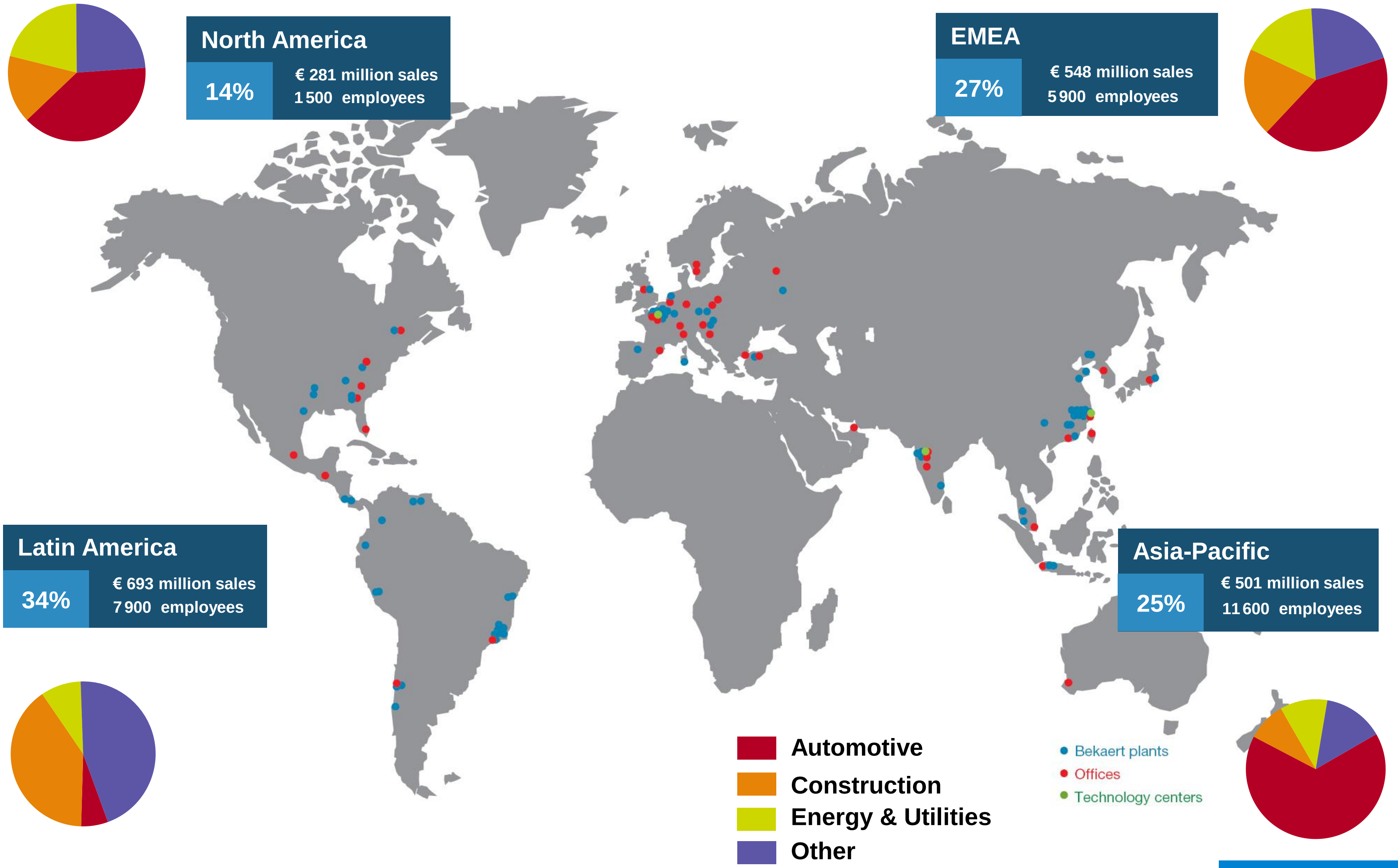
Growing but very competitive tire cord and sawing wire market in China while other markets were softer reflecting overall economic slowdown. SEA and India had strong industrial growth but were impacted by imports from China.

Sales



- Consolidated organic growth more than offset by exchange rate movements
- Impact of exchange rate movements on combined even more significant reflecting the weaker Brazilian Real versus same period last year

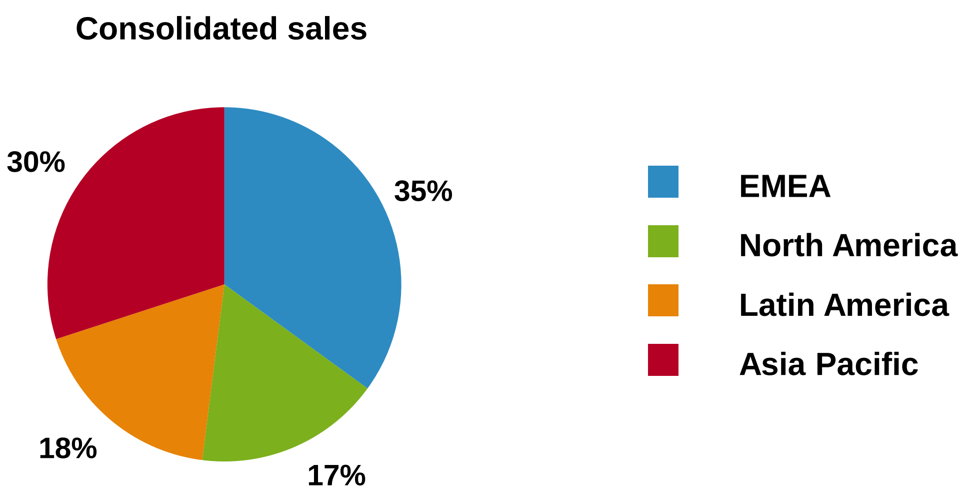
Bekaert global presence – Combined sales first half 2014

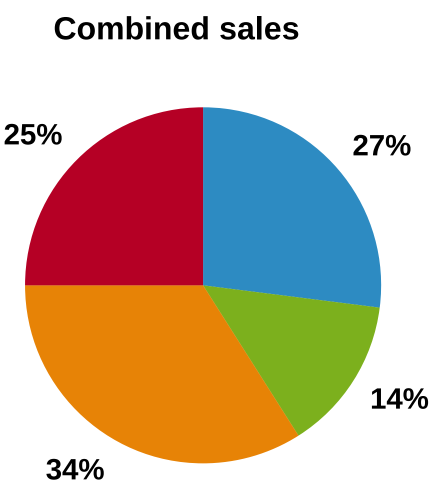


BEKAERT
better together

Sales by segment

First Half 2014	Consolidated sales		Combined sales	
	In mio €	variance	in mio €	variance
EMEA	555	+4%	548	+4%
North America	281	-5%	281	-5%
Latin America	295	-16%	693	-16%
Asia Pacific	478	+2%	501	+1%
Total	**1 609**	**-2%**	**2 023**	**-5%**





BEKAERT
better together

Address by Bruno Humblet, Chief Financial Officer

Content

- Highlights
- Business review
- **Financials**
- Outlook

BEKAERT
better together

Consolidated income statement: key figures

(In mio €)	1H 2013	1H 2014
Sales	1 649	1 609
Cost of sales	(1 400)	(1 351)
Gross profit	**249**	**258**
Gross profit margin	15.1%	16.0%

- Sales decline of -2.4% reflects:
  - Solid organic volume growth of 3.9%
  - Negative price/mix effect mainly reflecting lower wire rod prices (-1.2%)
  - Negative impact of exchange rate movements (-5.1%)
- Increase of gross profit due to volume increase and sustained cost control partly offset by translation effect of exchange rate movements

BEKAERT
better together

Consolidated income statement: key figures

(In mio €)	1H 2013	1H 2014
Gross profit	249	258
Selling expenses	(68)	(68)
Administrative expenses	(63)	(65)
R&D expenses	(32)	(30)
Others	5	6
Operating result before non-recurring items (REBIT)	91	101

- SG&A remained stable:
  - Final impact of cost reduction program largely offset by inflation
  - Positive impact of exchange rate movements
  - Selling expenses negatively impacted by movement in bad debt reserves

BEKAERT
better together

Consolidated income statement: key figures

(In mio €)	1H 2013	1H 2014
Operating result before non-recurring items (REBIT)	91	101
REBIT margin on sales	5.5%	6.3%
Non-recurring items	(2)	17
Operating result (EBIT)	89	118
EBIT margin on sales	5.4%	7.3%
EBITDA	172	190
EBITDA margin on sales	10.4%	11.8%

- REBIT increase of € 10 million reflects an organic increase of € 22 million partly offset by the business situation in Venezuela € -6 million and the impact of exchange rate movements for € -6 million
- Non-recurring items include: i) negative goodwill of the transaction in Latam (€ 11 million), ii) gains on sale of real estate (€ 8 million), iii) change in environmental provision (€ 6 million) and iv) impairments and other elements (€ -8 million)

BEKAERT
better together

Segment reporting: EMEA

(In mio €)	1H 2013	1H 2014
Consolidated sales	532	555
Operating result before non-recurring items (REBIT)	46	64
REBIT margin on sales	8.7%	11.5%
Non-recurring items	(1)	7
Operating result (EBIT)	45	70
Depreciation, amortization and impairment losses	23	22
EBITDA	68	93
EBITDA margin on sales	12.8%	16.7%

- Sales increase due to a very strong volume growth mainly in Q1 and good product mix
- Profitability well above 10% due to very high capacity utilization combined with sustainable cost control
- Non-recurring reflect sale of real estate and reversal of some environmental provisions

Segment reporting: North America

(In mio €)	1H 2013	1H 2014
Consolidated sales	294	281
Operating result before non-recurring items (REBIT)	13	14
REBIT margin on sales	4.3%	5.1%
Non-recurring items	(0)	1
Operating result (EBIT)	12	15
Depreciation, amortization and impairment losses	6	5
EBITDA	18	20
EBITDA margin on sales	6.2%	7.2%

- Sales decline due to exchange rate movements partly offset by 2% volume increase
- REBIT and REBITDA margin improve thanks to slightly better capacity utilization and the impact of cost savings program but are still below target

Segment reporting: Latin America

(In mio €)	1H 2013	1H 2014
Consolidated sales	352	295
Operating result before non-recurring items (REBIT)	28	11
REBIT margin on sales	7.9%	3.9%
Non-recurring items	(0)	10
Operating result (EBIT)	28	21
Depreciation, amortization and impairment losses	11	(3)
EBITDA	39	18
EBITDA margin on sales	11.1%	6.2%

- Sales drop of 16% due to devaluation of the Chilean Peso by 21% and a 50% volume drop in Venezuela due to the political and economic situation
- Overall market share remained stable at a very strong level
- REBIT significantly impacted by Venezuela € -6 million, devaluation of Chilean Peso € -2 million and lower margins on commodity products to remain competitive with import from Asia

BEKAERT
better together

Segment reporting: Asia Pacific

(In mio €)	1H 2013	1H 2014
Consolidated sales	470	478
Operating result before non-recurring items (REBIT)	39	43
REBIT margin on sales	8.4%	8.9%
Non-recurring items	(0)	(4)
Operating result (EBIT)	39	39
Depreciation, amortization and impairment losses	44	49
EBITDA	84	88
EBITDA margin on sales	17.8%	18.4%

- Sales increase of 2% due to 10% volume increase partly offset by exchange rate movements -6%, lower prices reflecting lower wire rod costs and the competitive market situation in tire cord and sawing wire in China
- Non-recurring includes impairment of some assets in Malaysia as the turnaround of the acquired business remains challenging

BEKAERT
better together

Consolidated income statement: key figures

(In mio €)	1H 2013	1H 2014
Operating result (EBIT)	89	118
Interest income / expense	(33)	(28)
Other financial income & expenses	(8)	0
Result before taxes	48	91
Income taxes	(30)	(23)
Result after taxes (consolidated companies)	18	68

- Lower interest cost due to average lower net debt of € 100 million
- Taxes reflect current cash tax cost and some adjustments in tax related to prior years

BEKAERT better together

Consolidated income statement: key figures

(In mio €)	1H 2013	1H 2014
Result after taxes from consolidated companies	18	68
Share in the results of JVs and associates	17	12
Result for the period	35	80
Attributable to non-controlling interests	9	2
Attributable to the Group	26	78

- Result of the joint ventures is lower due to the devaluation of the Brazilian Real and 2013 included some one off items
- Result attributable to non-controlling interest is low due to low profitability in Latam and impairment in Malaysia

BEKAERT
better together

Cash flow: key figures

(In mio €)	1H 2013	1H 2014
Gross cash flows from operations	137	136
Cash flows from operations	62	10
Cash flows from investment activities	(20)	(46)
Cash flows from financing activities	(80)	177

- Cash flows from operations impacted by an increase in working capital
- Investments at a higher level versus 2013

BEKAERT
better together

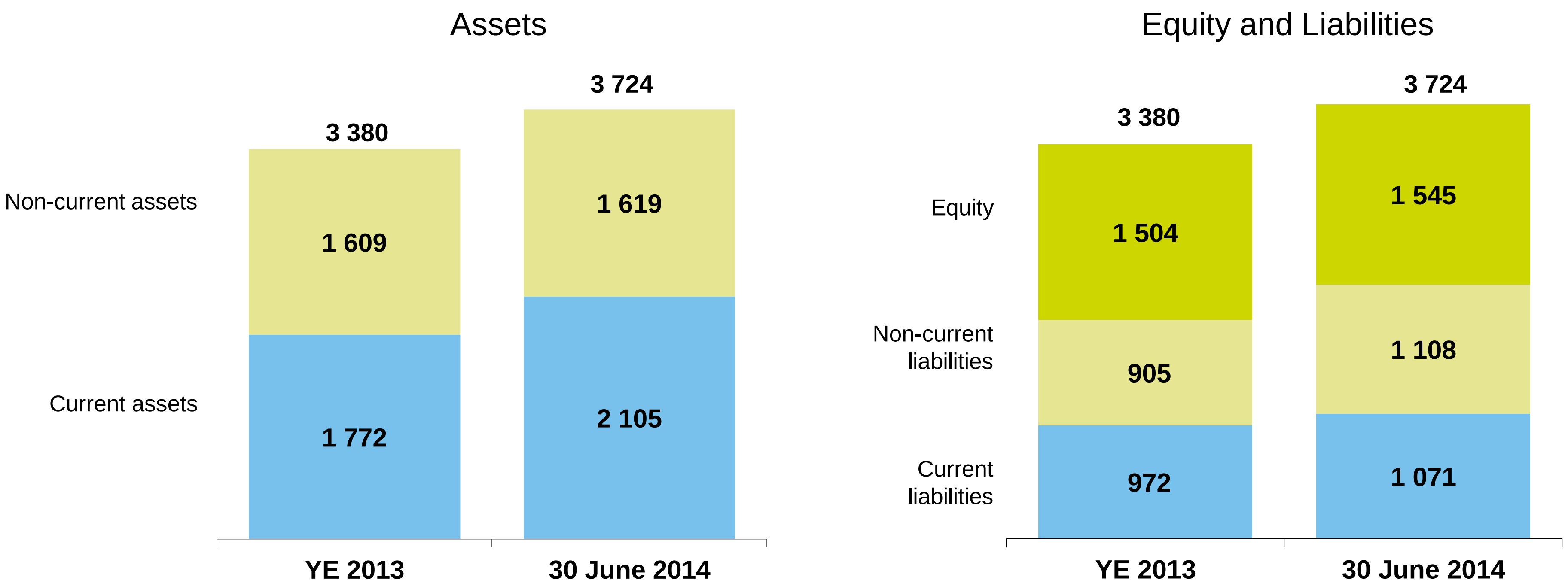
Working capital: key figures

(In mio €)	1H 2013	YE 2013	1H 2014
Inventories	576	539	618
Accounts receivable	830	716	819
Accounts payable	(432)	(462)	(502)
Working capital	974	793	935

- Working capital increased versus year end 2013 in line with typical seasonality but remains below the level of the same period last year
- Average working capital to sales reduced to 26.9% vs. 28.4% for the same period last year

BEKAERT
better together

Consolidated balance sheet: key figures



- Assets and liabilities increase significantly with issue of the convertible bond for which the proceeds have not been used yet to finance the Pirelli Tire cord acquisition

BEKAERT better together

Balance sheet: key figures

(In mio €)	1H 2013	YE 2013	1H 2014
Net financial debt	770	574	673
Gearing (net debt to equity)	49.3%	38.2%	43.6%
Net debt on EBITDA	2.2	1.9	1.8
Net debt on REBITDA	2.2	1.8	1.9

- Net debt increase versus year end 2013 due to seasonality effect of increased working capital, dividend payment and some share buyback
- Both gearing and net debt / EBITDA remain below long term company target

BEKAERT
better together

Ratios: key figures

(In mio €)	1H 2013	1H 2014
EBITDA margin on sales	10.4%	11.8%
REBIT margin on sales	5.5%	6.3%
EBIT margin on sales	5.4%	7.3%
Sales on capital employed (asset rotation)	1.4	1.5
Return on capital employed (ROCE)	7.4%	10.7%
Return on equity (ROE)	4.4%	10.5%

Key figures per share

(In mio €)	1H 2013	1H 2014
Share price	24.44	27.29
Number of existing shares	60 000 942	60 063 871
Book value	23.13	22.89
Earnings per share (EPS)	0.45	1.34
Weighted average number of shares	58 653 506	58 388 094

BEKAERT
better together

Content

- Highlights
- Business review
- Financials
- **Outlook**

BEKAERT
better together

Outlook

- Unchanged overall business climate.
- Price erosion in Chinese tire cord market will accelerate in Q3.
- EMEA remains strong but modest slowdown is projected in automotive market. As always there will be a seasonal effect of second half year.
- We believe that Latam is bottoming out with some potential upward trend towards the last quarter of the year.
- Recovery in North American remains fragile with limited visibility on project business from public sector investments.
- Continued internal drive to better leverage our scale while focusing on driving growth in our key markets.

BEKAERT
better together

Financial calendar

Third quarter trading update 2014	14	November	2014
2014 results	27	February	2015
2014 annual report available on internet	27	March	2015
First quarter trading update 2015	13	May	2015
General Meeting of shareholders	13	May	2015

BEKAERT
better together

BEKAERT

better together

better together

www.bekaert.com