

# Half year results 2007

31 July 2007

Bert De Graeve, Chief Executive Officer

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# 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 results are unaudited.

All comparisons are made relative to the figures of the first half of 2006.

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

*This document contains forward-looking information that involves risks and uncertainties. Readers are cautioned that forward-looking statements include known and unknown risks and are subject to significant business, economic and competitive uncertainties and contingencies. Bekaert, nor any other person, assumes any responsibility for the accuracy of these forward-looking statements. The company undertakes no obligation to publicly update any forward-looking statements.*

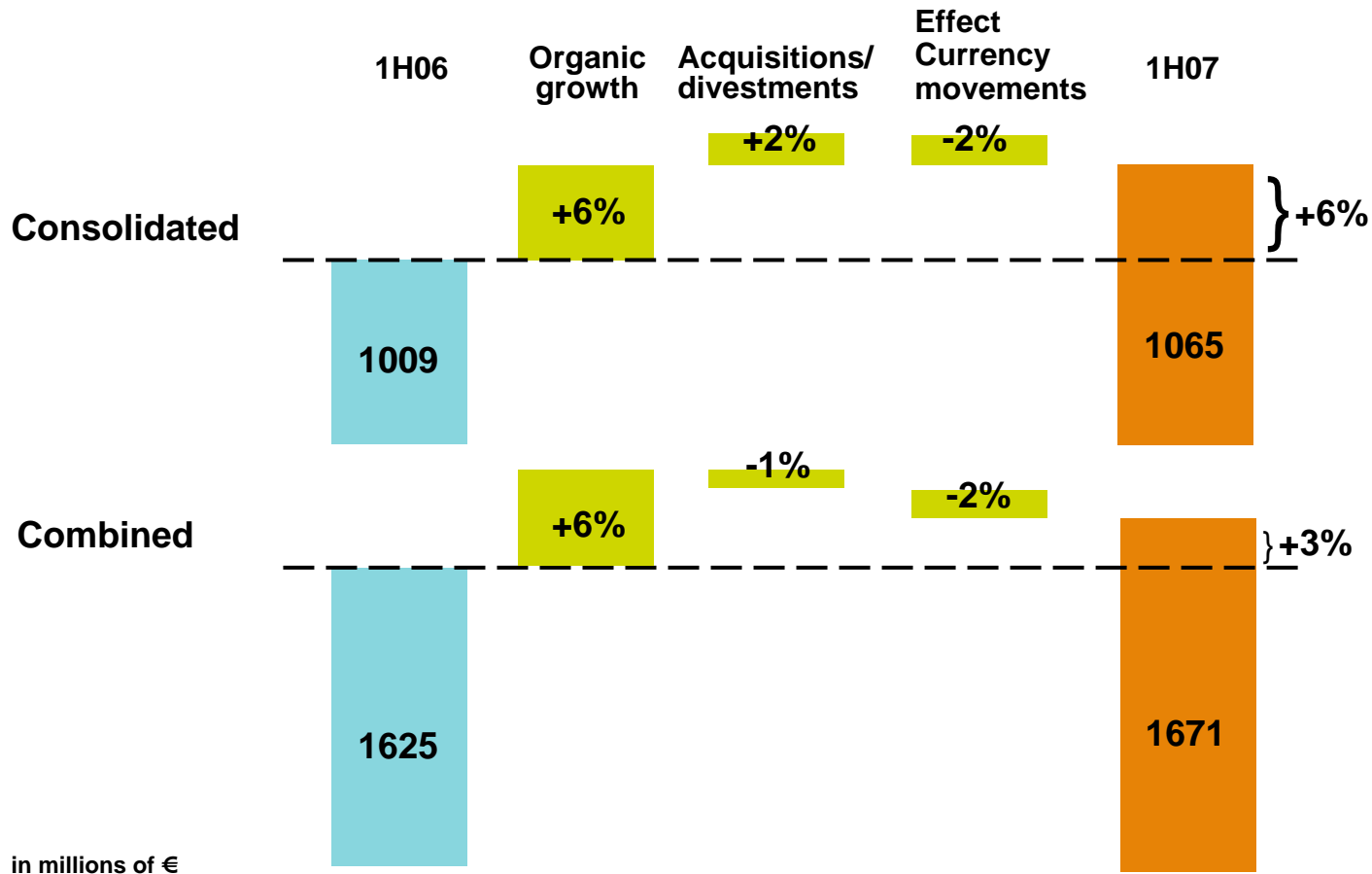
- **Highlights**
- Business review
- Financials
- Key challenges & Outlook

## Bekaert posts strong results:

- ⇒ Record sales in first half
- ⇒ Steel cord China: +53%
- ⇒ Difficult market conditions in North America
- ⇒ 8.5% EBIT margin on sales before non-recurring items, compared with 7.9%
- ⇒ 8.1% EBIT margin on sales, compared with 7.5%
- ⇒ EPS of €3.60 compared with €3.51 (continuing operations)

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# Sales



⇒ Solid top line growth, both consolidated and combined

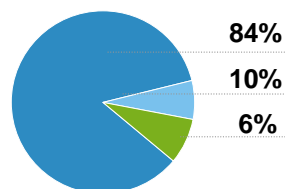
# Growth for sustainable profitability

- ⇒ Focus on growth markets:
  - Build capacity ahead of market growth, as growth markets attract investments and capacities which also create price pressure
- ⇒ Protect worldwide market leadership position:
  - Have capacity available to be first to capture growth
  - Be most competitive :
    - Operational excellence (cost)
    - Product and process innovation
    - Volume
  - Consolidate if and when opportune
- ⇒ Global footprint decreases impact of regional cycles and contributes to global risk management
- ⇒ Innovation supports broad product portfolio both in mature and emerging markets
- ⇒ Recent targeted acquisitions are very supportive

# Sales by business segment

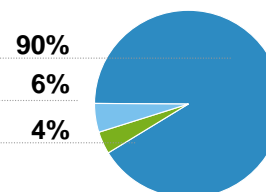
1 H 07	Consolidated sales		Combined sales	
	in millions of €	variance	in millions of €	variance
Advanced wire products	897	+5%	1 508	+4%
Advanced materials	101	+15%	101	+15%
Advanced coatings	64	-6%	64	-6%
Intersegment and others	3		-2	
<b>Total</b>	<b>1 065</b>	<b>+6%</b>	<b>1 671</b>	<b>+3%</b>

Consolidated sales (\*)



Advanced wire products  
Advanced materials  
Advanced coatings

Combined sales (\*)



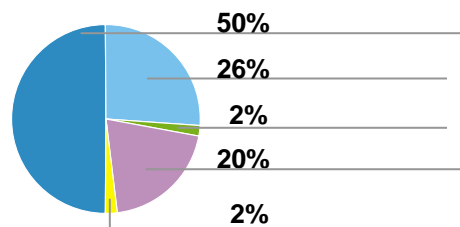
(\*) excluding intersegment sales and others

- ⇒ Growth in advanced wire products, mainly driven by China.
- ⇒ Growth in advanced materials, including impact nickel price increase
- ⇒ North American market conditions remain difficult for Bekaert (automotive-construction-agriculture)
- ⇒ Overall solid volumes but sustained pressure on price levels.

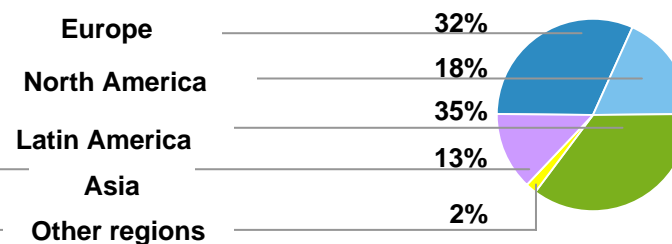
# Sales by geographical area

1 H 07	Consolidated sales		Combined sales	
	in millions of €	variance	in millions of €	variance
Europe	536	+12%	541	+7%
North America	273	-18%	292	-17%
Latin America	18	+17%	587	+4%
Asia	217	+32%	223	+29%
Other regions	21	+25%	28	+9%
<b>Total</b>	<b>1 065</b>	<b>+6%</b>	<b>1 671</b>	<b>+3%</b>

Consolidated sales

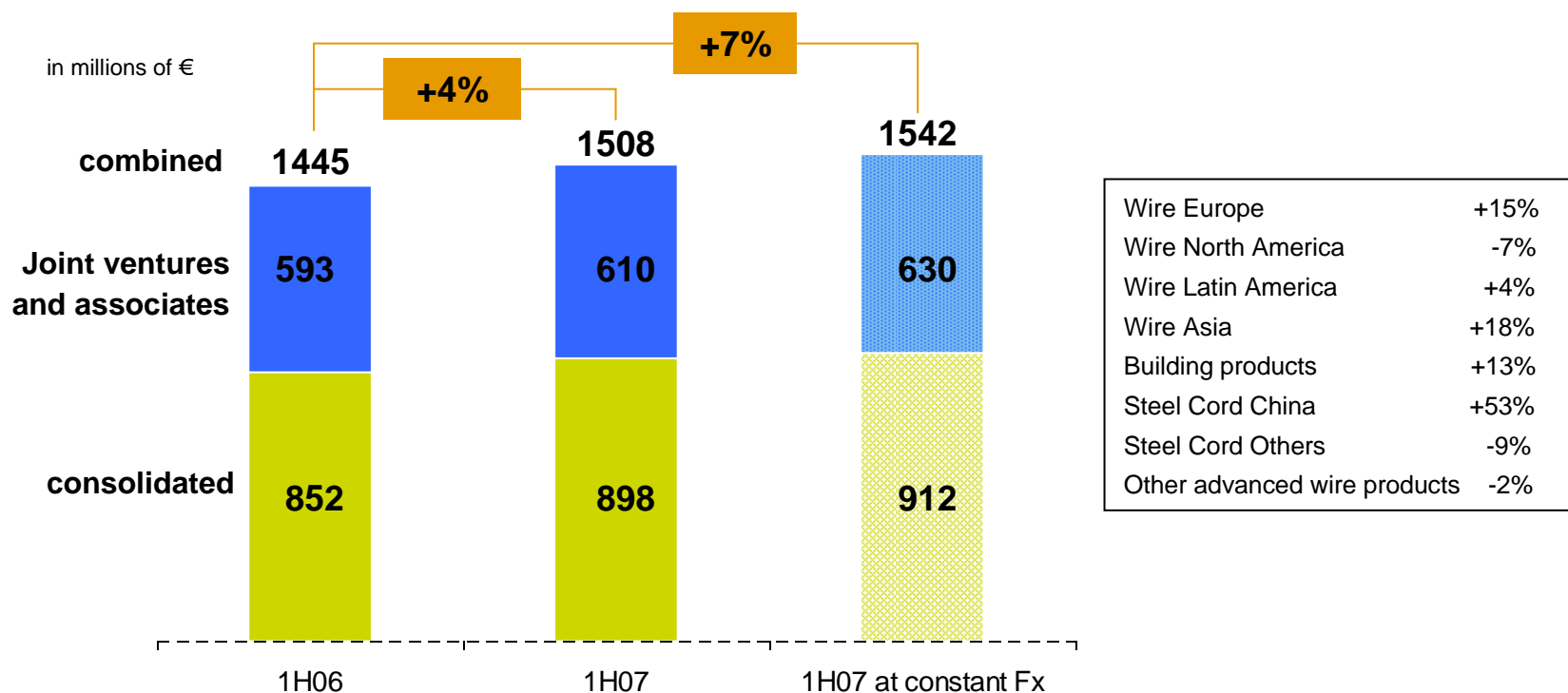


Combined sales



- ⇒ Latin America contributes 1/3 of combined sales
- ⇒ Asia growing by 30%, now representing 1/5 of consolidated sales

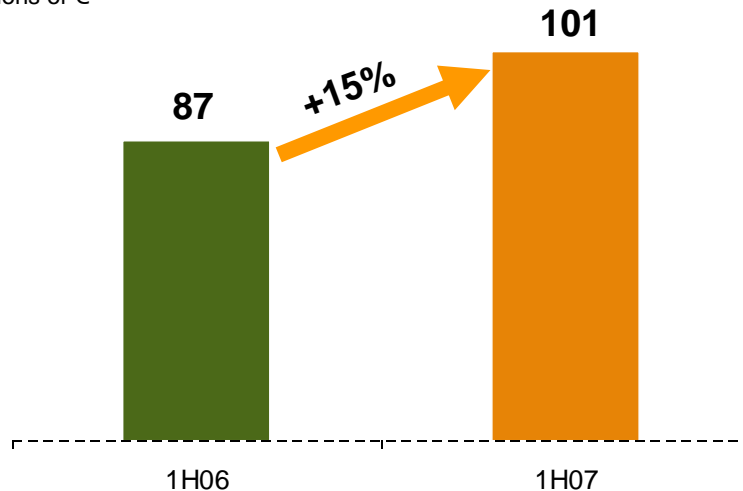
# Advanced wire products: sales



- ⇒ Record sales on half year basis, despite negative impact of strong euro
- ⇒ Strong growth in steel cord China
- ⇒ Weak North American market
- ⇒ Increased activity level in Latin America offset by currency, price pressure and imports from Asia

# Advanced materials: sales

in millions of €

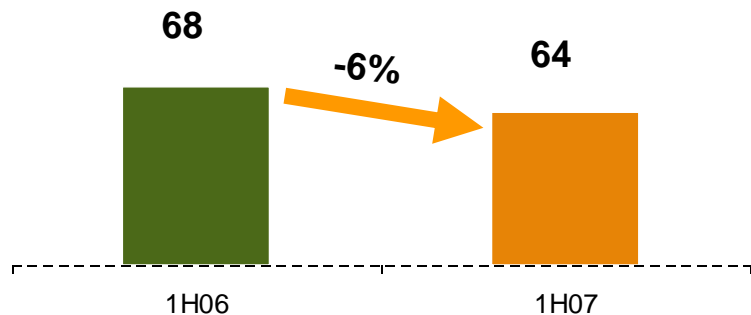


Stainless	+54%
Fiber technologies	+13%
Combustion technologies	+14%
Composites	-19%

- ⇒ Stainless: growth includes impact nickel price increases
- ⇒ Fiber technologies: supported by specific one time order
- ⇒ Combustion technologies: growth in most product segments
- ⇒ Composites: extremely competitive market environment

# Advanced coatings: sales

in millions of €



Industrial coatings	+3%
Specialized films	-11%

- ⇒ Industrial coatings: growth in sputter products and diamond like coatings
- ⇒ Specialized films: highly dependent on US market (automotive and housing, currency movements)

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# Consolidated income statement : key figures

(in thousands of €)	1H07	1H06
Sales	1 065 105	1 009 398
Cost of sales	-851 093	-811 151
Gross profit	214 012	198 247
Gross profit margin	20.1%	19.6%

- ⇒ Increased gross profit margin, despite high raw material prices
- ⇒ Key drivers:
  - competitive cost base, driven by operational excellence
  - growth of high added value products
  - increasing importance of growth markets

# Consolidated income statement : key figures

(in thousands of €)	1H07	1H06
Gross profit	214 012	198 247
Selling expenses	-48 858	-50 428
Administrative expenses	-47 255	-49 354
R&D expenses	-30 562	-25 521
Others	2 987	7 030
Operating result (EBIT) before non-recurring items	90 324	79 974

- ⇒ SG&A reduction:
  - sustained effort to improve efficiency
  - positive impact of currency movements
- ⇒ R&D expenses reflect increased level of:
  - long term research
  - targeted product development
  - *open innovation* projects (venture capital investments)

# Consolidated income statement : key figures

(in thousands of €)	1H07	1H06
Operating result (EBIT) before non-recurring items	90 324	79 974
EBIT margin on sales before non-recurring items	8.5%	7.9%
Non-recurring items	-3 777	-4 000
Operating result (EBIT)	86 547	75 974
EBIT margin on sales	8.1%	7.5%
EBITDA	144 890	132 428
EBITDA margin on sales	13.6%	13.1%

- ⇒ Non-recurring items include:
  - restructuring in carding business
  - costs related to previously announced plant closures in United States
- ⇒ Significant improvement of operating result (EBIT: +14%)
- ⇒ EBIT margin in the middle of the range of long term target (7% - 9%)

# Segment reporting: advanced wire products

(in millions of €)	1H07	1H06
Consolidated sales	897	852
Operating result (EBIT) before non-recurring items	108	94
Operating result (EBIT)	105	92
Depreciation and amortization	50	48
EBITDA	155	140
EBIT margin on sales	11.7 %	10.8 %
EBITDA margin on sales	17.2 %	16.4 %

⇒ 14% EBIT increase

# Segment reporting: advanced materials

(in millions of €)	1H07	1H06
Sales	101	87
Operating result (EBIT) before non-recurring items	10	6
Operating result (EBIT)	10	6
Depreciation and amortization	4	5
EBITDA	14	11
EBIT margin on sales	9.7%	7.0%
EBITDA margin on sales	13.5%	12.2%

- ⇒ Result follows strong sales growth
- ⇒ Steep increase in nickel based wire rod prices reflected in sales prices and inventory valuation

# Segment reporting: advanced coatings

in millions of €	1H07	1H06
Sales	64	68
Operating result (EBIT) before non-recurring items	-1	2
Operating result (EBIT)	-1	1
Depreciation and amortization	5	6
EBITDA	4	7
EBIT margin on sales	-1.1%	2.1%
EBITDA margin on sales	6.9%	11.0%

⇒ EBIT reduction reflects lower sales

# Consolidated income statement : key figures

(in thousands of €)	1H07	1H06
Operating result (EBIT)	86 547	75 974
Interest income/expense	-16 742	-13 563
Other financial result	80	1 324
Result from continuing operations before taxes	69 885	63 735
Income taxes	-14 864	-15 537
Result from continuing operations (consolidated companies)	55 021	48 198

- ⇒ Interest expenses increased reflecting higher net debt position
- ⇒ Income tax rate of 21% includes benefits from tax incentives

# Consolidated income statement : key figures

(in thousands of €)	1H07	1H06
Result from consolidated companies	55 021	48 198
Share in the results of JV's and associates	23 401	27 820
Result for the period	78 422	76 018
Attributable to		
- <i>the Group</i>	72 640	75 511
- <i>minority interests</i>	5 782	507

- ⇒ More competitive market conditions leading to lower result in the joint ventures
- ⇒ Minority interests: + €5 million

# Cash flow: key figures

(in millions of €)	1H07	1H06
Gross cash from operations	132.1	118.8
Net cash from operations	76.0	63.2
Cash for investment activities	-48.3	-80.8
Gross cash for financing activities	-167.8	-68.2

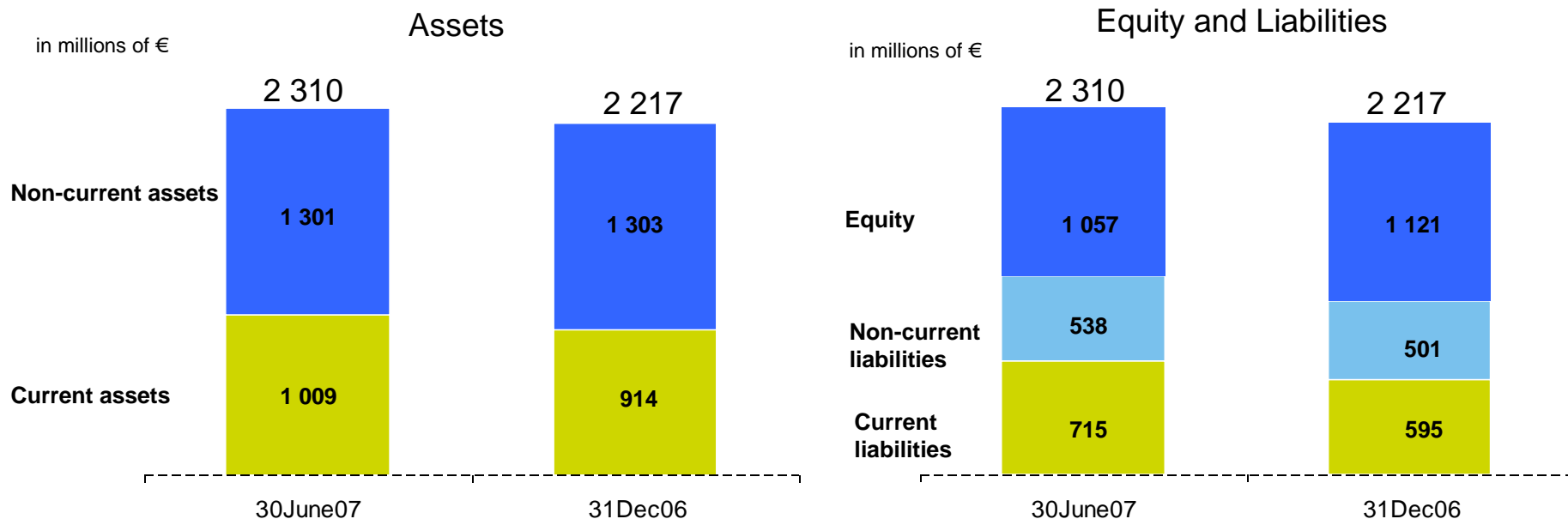
- ⇒ Working capital: + € 52 million
- ⇒ Capital investment: € 73 million  
of which € 50 million expansion investment in China
- ⇒ Dividends from joint ventures: € 27 million
- ⇒ Share buy back: € 107 million

# Working capital: key figures

(in millions of €)	1H07	FY06	1H06
Inventories	422.7	368.8	380.4
Accounts receivable	424.4	398.9	393.5
Accounts payable	-343.2	-316.1	-293.0
Working capital	503.9	451.6	480.9

- ⇒ Increase driven by fast growth of China business
- ⇒ Average working capital on sales: 22.4%

# Consolidated balance sheet: key figures



- ⇒ Increase in current assets, due to change in inventory and receivables
- ⇒ Equity decrease reflects share buy back
- ⇒ Increased liabilities, mainly driven by higher net debt

# Balance sheet: key figures

(in millions of €)	1H07	FY06	1H06
Net financial debt	493	375	345
Gearing (net debt to equity)	47%	33%	31%

- ⇒ Net financial debt substantially increased as a result of share buy back program
- ⇒ Gearing ratio of 47% in line with long term target (50%)

# Share buy back

- ⇒ Purchase of 1 110 660 own shares in first half of 2007 to optimize balance sheet, of which 546 779 cancelled
- ⇒ 4 July 2007: cancellation of remaining 563 881 shares and issue of 40 507 new shares following the exercise of subscription rights
- ⇒ Total number of outstanding shares to 19 876 626

# Ratios: key figures

	<b>1H07</b>	<b>FY06</b>	<b>1H06</b>
EBITDA on sales	13.6%	13.0%	13.1%
EBIT margin on sales before non-recurring items	8.5%	8.1%	7.9%
EBIT on sales	8.1%	7.3%	7.5%
Sales on capital employed (asset rotation)	1.5	1.5	1.5
Return on capital employed	12.0%	10.5%	11.0%
Return on equity	14.4%	13.1%	13.6%

- ⇒ Strong ratios in the first half
- ⇒ First half ratios traditionally better than full year
- ⇒ Increased return on equity reflects strong results on reduced equity base

# Key figures per share

(in €)	1H07	1H06
Share price at 30 June	108.85	75.10
Number of existing shares at 30 June	20 400 000	21 530 195
Book value	51.81	51.44
Result for the period attributable to the Group	3.60	3.51
Weighted average number of shares	20 202 311	21 530 195
Cash flow attributable to the Group	6.48	6.13

- ⇒ Book value per share increased due to share buy back
- ⇒ Result per share: +3%
- ⇒ Cash flow attributable to the Group: +6%

- ⇒ Sales growth of 6% mainly driven by growth markets
- ⇒ EBIT increased by 14%  
reflecting sales growth combined with increased cost efficiency
- ⇒ Interest expense increased due to higher debt level
- ⇒ More competitive market conditions leading to lower result in joint ventures
- ⇒ Earnings per share increased to € 3.60

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- ⇒ Capture growth :
  - Further increase production capacity in growth areas (estimated total capital expenditures of € 180 million in 2007)
  - Broaden product portfolio
  - Establish presence in future markets supported by local production platforms:
    - Russia (very slow and difficult process and environment) – long term project
    - India – seize opportunities as they arise
- ⇒ Further defend market positions globally
- ⇒ Invest in innovation (growth and sustaining)
- ⇒ Align organizational set up with growth objectives

- ⇒ Material prices will stay high, yet with some regional variances.
- ⇒ North American market conditions will remain challenging (automotive – construction – agriculture).
- ⇒ We will continue our efforts in order to maintain our Latin American leadership positions.
- ⇒ We will further sustain our investment programs, mainly in Asia.
- ⇒ We will remain focused on worldwide operational excellence and innovation for maximum support of the company's growth.

## Financial calendar

Third quarter trading update 2007	09 November 2007
Fourth quarter trading update 2007	15 February 2008
2007 results	14 March 2008
2007 annual report available on Internet	24 April 2008
First quarter trading update 2008	14 May 2008
General Meeting of Shareholders	14 May 2008
Dividend payable (coupon nr. 9)	21 May 2008
2008 half year results	01 August 2008

**We like to keep on listening to you.  
Any questions? Please do not hesitate to contact us:**

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