

# Annual results 2010

B. De Graeve, CEO

B. Humblet, CFO

Brussels, 25 February 2011

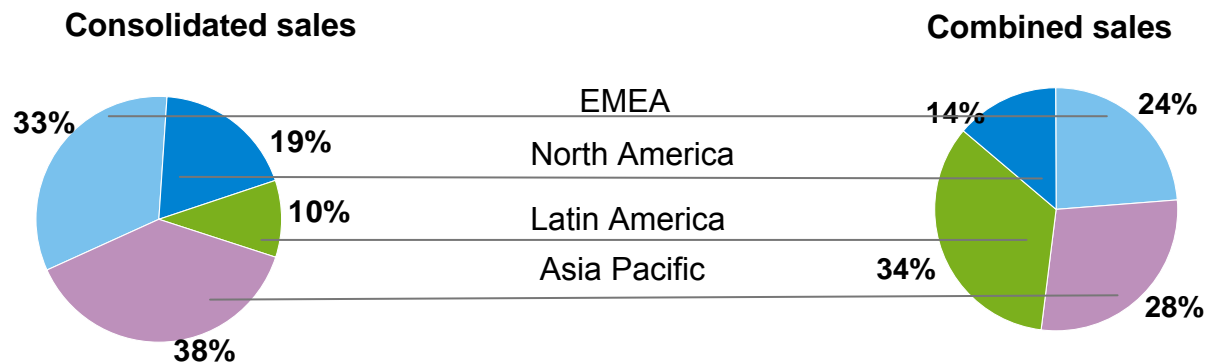
# Address by B. De Graeve, Chief Executive Officer

# Highlights

- Consolidated sales of € 3.3 billion and combined sales of € 4.5 billion, both +34% vs. 2009
- EBIT of € 534 million or 16.4% of sales
- EBITDA of € 725 million or 22.2% of sales
- R&D expenses: € 79 million, +25% vs. 2009
- Capital expenditures of € 248 million
- EPS: € 6.21 compared with € 2.56 in 2009

# Sales by segment

| 2010          | Consolidated sales |             | Combined sales |             |
|---------------|--------------------|-------------|----------------|-------------|
|               | In mio €           | variance    | in mio €       | variance    |
| EMEA          | 1 065.9            | +29%        | 1 057.0        | +28%        |
| North America | 637.6              | +35%        | 630.7          | +35%        |
| Latin America | 311.0              | -5%         | 1 528.0        | +24%        |
| Asia Pacific  | 1 248.0            | +54%        | 1 253.8        | +54%        |
| <b>Total</b>  | <b>3 262.5</b>     | <b>+34%</b> | <b>4 469.5</b> | <b>+34%</b> |



## **EMEA:**

- Very strong demand in the automotive sector
- Integration of Italian tire cord plant from Bridgestone into the Bekaert platform
- Solid demand in all other sectors, except construction

## **North America:**

- Rebound in the automotive sector
- Agricultural and industrial applications continued to perform well

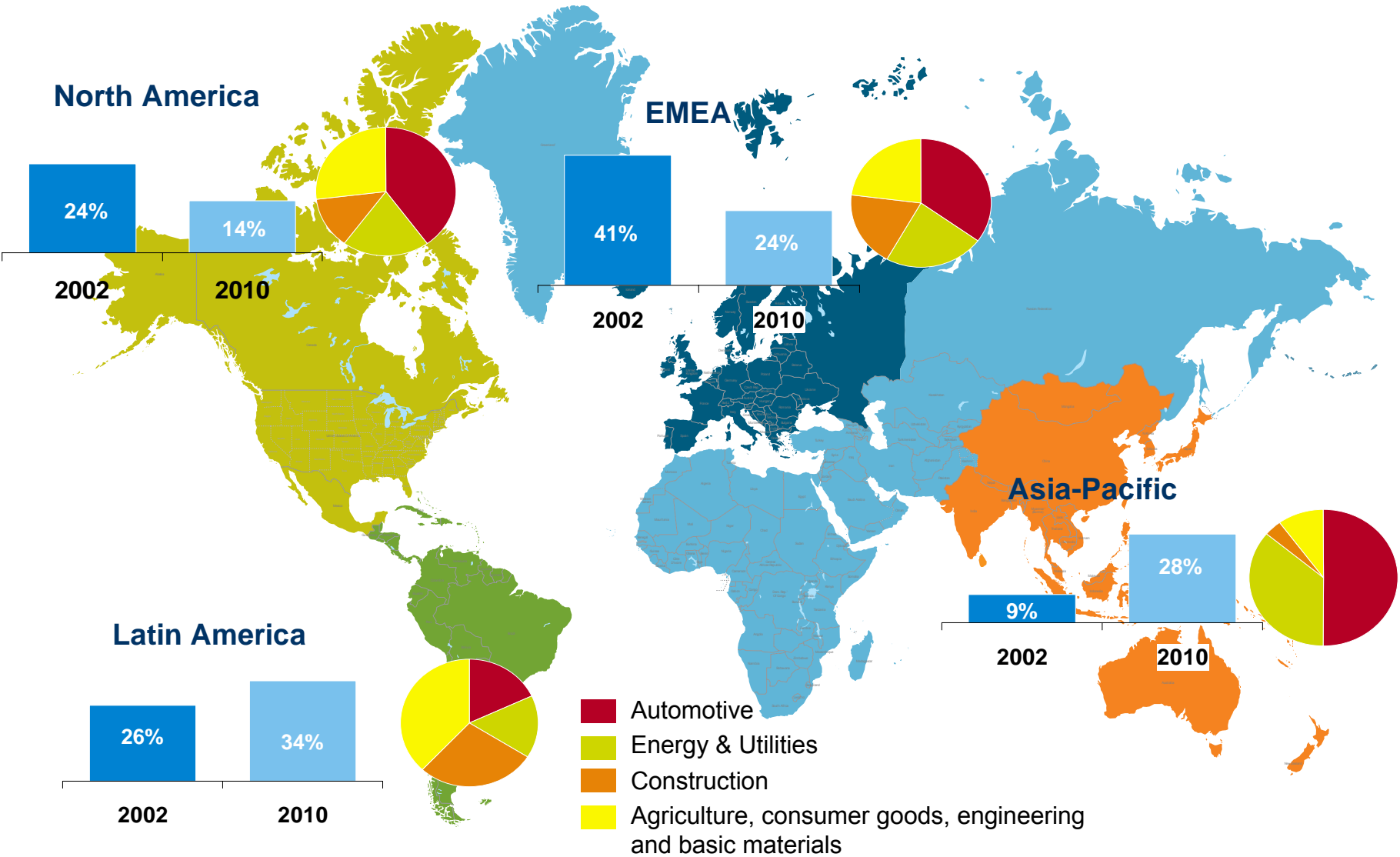
## **Latin America:**

- Robust growth in Ecuador, Colombia and Peru
- Acceptable business level in Venezuela in spite of difficult external environment
- Strong sales growth in JV's reflecting solid market demand and a strengthening of local currencies

## **Asia Pacific:**

- Very strong growth in tire cord market in China, India and South East Asia
- Important growth in the energy and utilities sector related to regional and global demand
- Continued growth in all other sectors reflecting the overall economic growth in the region

# Geographical expansion: sales per region and per sector



# Address by B. Humblet, Chief Financial Officer

# Consolidated income statement : key figures

| (In mio €)          | 2009       | 2010       |
|---------------------|------------|------------|
| Sales               | 2 437      | 3 262      |
| Cost of sales       | -1 903     | -2 358     |
| <b>Gross profit</b> | <b>534</b> | <b>904</b> |
| Gross profit margin | 21.9%      | 27.7%      |

- Sales growth of 34% reflects:
  - Organic growth of 32% resulting from
    - i) Strong volume increase in all regions,
    - ii) Positive product mix effect and
    - iii) Moderate price increases reflecting higher wire rod prices
  - FX movements and M&A activities each add about 1%
- Gross margin increase driven by:
  - Higher volumes and related better capacity utilization
  - More innovative products driving a further mix improvement

# Consolidated income statement : key figures

| (In mio €)  | 2009       | 2010       |
|---|------------|------------|
| <b>Gross profit</b>                                       | <b>534</b> | <b>904</b> |
| Selling expenses  | -105       | -129       |
| Administration expenses                                   | -111       | -136       |
| R&D expenses  | -63        | -79        |
| Others  | 2          | 2          |
| <b>Operating result (EBIT) before non-recurring items</b> | <b>257</b> | <b>562</b> |

- Selling and Administrative expenses increased 23% to support the global business growth
- Further economies of scale are realized, resulting in S&A expenses decreasing from 8.9% to 8.1% of sales
- Significant 25% increase in R&D to support our innovation program across all regions and sectors

# Consolidated income statement : key figures

| (In mio €)  | 2009       | 2010       |
|---|------------|------------|
| <b>Operating result (EBIT) before non-recurring items</b> | <b>257</b> | <b>562</b> |
| REBIT margin on sales before non-recurring items          | 10.5%      | 17.2%      |
| Non-recurring items                                       | -25        | -28        |
| <b>Operating result (EBIT)</b>                            | <b>232</b> | <b>534</b> |
| EBIT margin on sales                                      | 9.5%       | 16.4%      |
| <b>EBITDA</b>   | <b>386</b> | <b>725</b> |
| EBITDA margin on sales                                    | 15.8%      | 22.2%      |

- Record REBIT arising from strong volume growth combined with positive geographical and product mix further enhanced by a successful cost control program
- Non-recurring items include the impairment of assets in Venezuela and increased provisions for reconversion projects and potential environmental liabilities
- Record EBITDA, both in absolute terms and as % of sales

# Segment reporting: EMEA

| (In mio €)   | 2009      | 2010       |
|--|-----------|------------|
| Consolidated sales   | 827       | 1 066      |
| <b>Operating result before non-recurring items (REBIT)</b> | <b>2</b>  | <b>95</b>  |
| REBIT margin on sales                                      | 0.2%      | 8.9%       |
| Non-recurring items  | -21       | -9         |
| Operating result (EBIT)                                    | -19       | 87         |
| EBIT margin on sales                                       | -2.3%     | 8.1%       |
| <b>EBITDA</b>  | <b>47</b> | <b>144</b> |
| EBITDA margin on sales                                     | 5.7%      | 13.5%      |

- 29% sales growth reflect:
  - i) Organic growth of 25% due to higher volumes in most segments and a better product mix
  - ii) M&A activities adding 3% to the top line and
  - iii) FX movements
- Non-recurring include an increase in the provisions for reconversion costs and environmental liabilities
- Healthy EBIT and EBITDA margins due to high capacity utilization, good cost control and innovative product portfolio

# Segment reporting: North America

| (In mio €)   | 2009      | 2010      |
|--|-----------|-----------|
| Consolidated sales   | 473       | 638       |
| <b>Operating result before non-recurring items (REBIT)</b> | <b>-5</b> | <b>34</b> |
| REBIT margin on sales                                      | -1.1%     | 5.3%      |
| Non-recurring items  | -3        | -2        |
| Operating result (EBIT)                                    | -8        | 32        |
| EBIT margin on sales                                       | -1.8%     | 5.0%      |
| <b>EBITDA</b>  | <b>13</b> | <b>50</b> |
| EBITDA margin on sales                                     | 2.7%      | 7.8%      |

- 35% sales increase coming from: organic growth of 28%, mainly due to higher volumes and 7% positive FX impact
- EBIT and EBITDA margins improved significantly but remain under pressure due to a very competitive environment

# Segment reporting: Latin America

| (In mio €)   | 2009      | 2010      |
|--|-----------|-----------|
| Consolidated sales   | 327       | 311       |
| <b>Operating result before non-recurring items (REBIT)</b> | <b>28</b> | <b>26</b> |
| REBIT margin on sales                                      | 8.4%      | 8.3%      |
| Non-recurring items  | -1        | -12       |
| Operating result (EBIT)                                    | 26        | 14        |
| EBIT margin on sales                                       | 8.0%      | 4.4%      |
| <b>EBITDA</b>  | <b>36</b> | <b>38</b> |
| EBITDA margin on sales                                     | 11.1%     | 12.3%     |

- Sales decrease of 5% reflects an organic growth of 23%, more than offset by a negative exchange rate impact of 28% reflecting the use of a more open market exchange rate in Venezuela
- Strong business growth in all markets and acceptable activity level in Venezuela
- Non-recurring items reflect the impairment of assets in Venezuela
- REBIT and EBITDA margins remain strong for the lower-end product mix in those markets

# Segment reporting: Asia Pacific

| (In mio €)   | 2009       | 2010       |
|--|------------|------------|
| Consolidated sales   | 809        | 1 248      |
| <b>Operating result before non-recurring items (REBIT)</b> | <b>288</b> | <b>471</b> |
| REBIT margin on sales                                      | 35.6%      | 37.7%      |
| Non-recurring items  | 0          | -4         |
| Operating result (EBIT)                                    | 288        | 467        |
| EBIT margin on sales                                       | 35.6%      | 37.4%      |
| <b>EBITDA</b>  | <b>349</b> | <b>560</b> |
| EBITDA margin on sales                                     | 43.2%      | 44.9%      |

- Sales growth of 54% resulting from:
  - i) Organic growth of 44% mainly due to higher volumes and a better product mix partly offset by lower prices and
  - ii) Positive FX movements for 9%
- Profit margins remain in line with last year as price erosion has been offset by better product mix and a solid cost control program

# Consolidated income statement : key figures

| (In mio €)  | 2009       | 2010       |
|---|------------|------------|
| <b>Operating result (EBIT)</b>                                    | <b>232</b> | <b>534</b> |
| Interest income / expense   | -57        | -50        |
| Other financial result  | -9         | 18         |
| Result from continuing operations before taxes                    | 167        | 502        |
| Income taxes  | -34        | -139       |
| <b>Result from continuing operations (consolidated companies)</b> | <b>133</b> | <b>362</b> |

- Lower interest costs due to lower average debt level in 2010
- Other financial result turned positive, mainly due to FX gains in Venezuela versus a loss in 2009 and exchange rate benefits on dividends from China
- Tax rate increased to 28% due to further expiration of tax holidays in China and updated assumptions on tax positions

# Consolidated income statement : key figures

| (In mio €)                                  | 2009       | 2010       |
|---|------------|------------|
| Result from consolidated companies          | 133        | 362        |
| Share in the results of JV's and associates | 38         | 36         |
| <b>Result for the period</b>                | <b>170</b> | <b>399</b> |
| Non-controlling interests                   | 19         | 31         |
| <b>Attributable to the Group</b>            | <b>152</b> | <b>368</b> |

- Result in the JV's remains stable as the positive effect of stronger sales is fully offset by lower margins to defend against imports
- Non-controlling interest increases in line with the overall increase in results for the Company
- Total result for the Group more than doubled versus 2009

# Cash flow: key figures

| (In mio €)                      | 2009 | 2010 |
|---------------------------------|------|------|
| Gross cash from operations      | 310  | 614  |
| Net cash from operations        | 497  | 342  |
| Cash from investment activities | -127 | -211 |
| Cash from financing activities  | -341 | 80   |

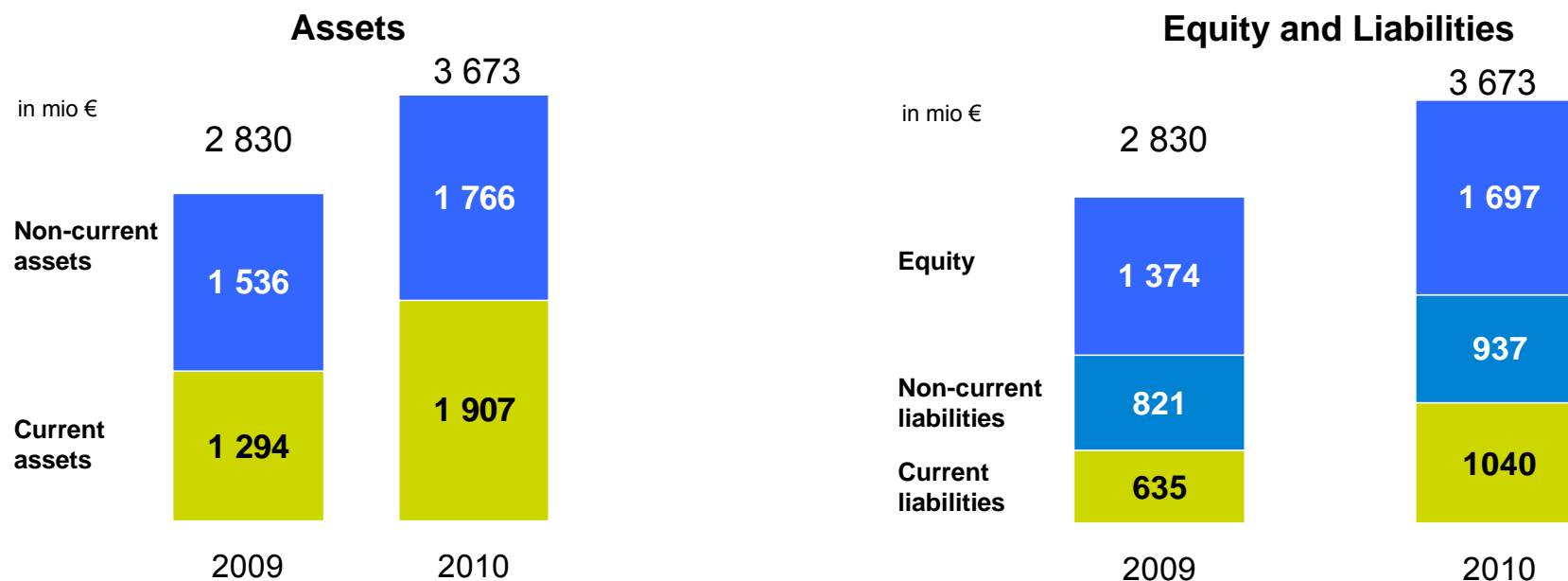
- Gross cash from operations increases in line with business results
- Net cash from operations reduces due to a significant increase in working capital
- Cash from investment activities mainly reflects the strong capex program

# Working capital: key figures

| (In mio €)          | 2009 | 2010 |
|---------------------|------|------|
| Inventories         | 358  | 508  |
| Accounts receivable | 511  | 811  |
| Accounts payable    | -350 | -478 |
| Working capital     | 519  | 841  |

- Inventories increased in line with business growth
- Accounts receivable and accounts payables increase arise from very strong sales in Q4 of 2010
- Average working capital decreases from 24.1% to 20.9% of sales

# Consolidated balance sheet: key figures



- Increase in current assets coming from increased inventory, trade receivables and cash
- Increase in non-current assets is mainly attributable to the important capex program
- Current liabilities increase due to higher short-term debt and increased trade payables
- Equity increase reflects strong results and FX effects on foreign equity

# Balance sheet: key figures

| (In mio €)                   | 2009  | 2010  |
|------------------------------|-------|-------|
| Net financial debt           | 395   | 522   |
| Gearing (net debt to equity) | 28.8% | 30.8% |

- Increase in net debt at year end reflects a very strong cash generation in the business, being more than offset by an increase in working capital and important investments for additional capacity to support future growth
- Gearing remains well below our long-term target of 50%
- Net debt / EBITDA stands at 0.7

# Ratios: key figures

|  | 2009  | 2010  |
|--|-------|-------|
| EBITDA on sales                                  | 15.8% | 22.2% |
| REBIT margin on sales before non-recurring items | 10.5% | 17.2% |
| EBIT margin on sales                             | 9.5%  | 16.4% |
| Sales on capital employed (asset rotation)       | 1.4   | 1.6   |
| Return on capital employed                       | 12.9% | 26.6% |
| Return on equity                                 | 13.4% | 26%   |
| Net debt on EBITDA                               | 1.0   | 0.7   |

# Key figures per share

| (in €)                                   | 2009       | 2010       |
|--|------------|------------|
| Share price at 31 December               | 36.17      | 85.90      |
| Number of existing shares at 31 December | 59 503 407 | 59 884 973 |
| Book value                               | 23.08      | 28.33      |
| Earnings per share                       | 2.56       | 6.21       |
| Weighted average number of shares        | 59 220 618 | 59 249 600 |
| Cash flow attributable to the Group      | 5.15       | 9.42       |
| Dividend per share                       | 0.98       | 1.67       |

Proposed dividend per share on 2010 results at € 1.667 including the intermediate dividend of € 0.667. An increase of 70% versus 2009

# Address by B. De Graeve, Chief Executive Officer

- Further execute our strategy with continued investments in R&D and manufacturing capacity and optimization of operational excellence.
- First half of 2011 expected to maintain a strong performance
- Mid-term more moderate growth perspectives due to:
  - More controlled growth in China
  - Policies to contain inflation
  - Increased competitive capacities
- Growth pattern to become more irregular:
  - Continued instability of raw material prices
  - Potential changes of fiscal incentive programs which will impact growth in several sectors in all regions

**Bekaert is always near to you.  
Any questions? Please do not hesitate to contact us:**

**Jacques Anckaert**

Investor Relations Manager

President Kennedypark 18

BE-8500 Kortrijk

T +32 56 23 05 72

F +32 56 22 85 57

[investor.relations@bekaert.com](mailto:investor.relations@bekaert.com)

[www.bekaert.com](http://www.bekaert.com)

**Katelijan Bohez**

Corporate Communications Manager

Press Relations

President Kennedypark 18

BE-8500 Kortrijk

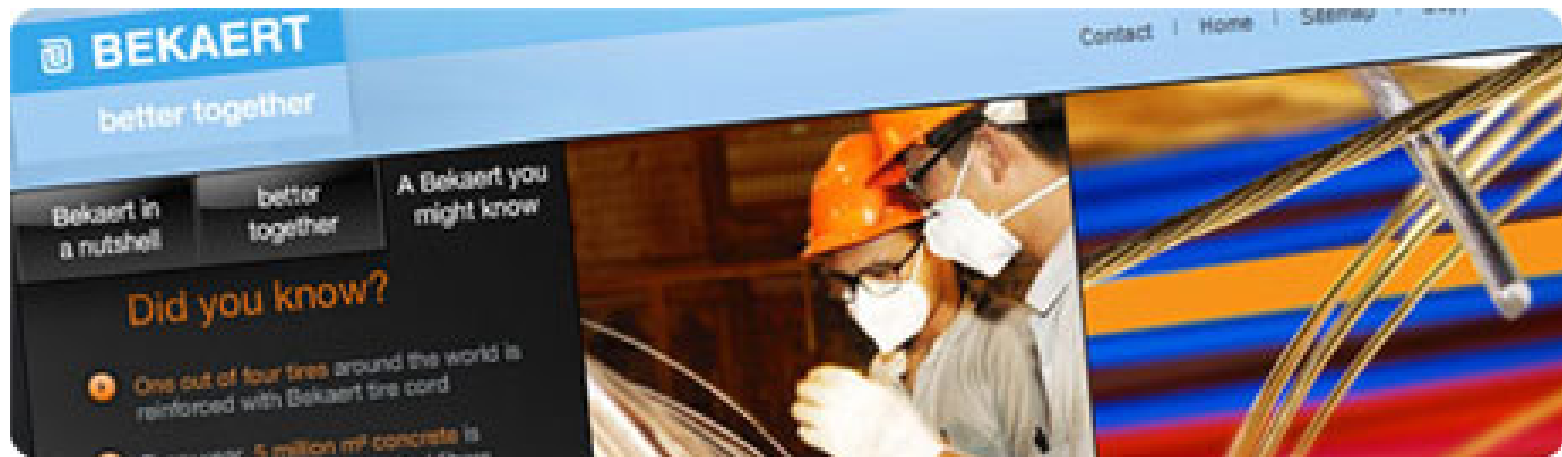
T +32 56 23 05 71

F +32 56 23 05 43

[katelijan.bohez@bekaert.com](mailto:katelijan.bohez@bekaert.com)

[www.bekaert.com](http://www.bekaert.com)

For more information,  
welcome @ [www.bekaert.com](http://www.bekaert.com) or [www.bekaert.mobi](http://www.bekaert.mobi)



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