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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

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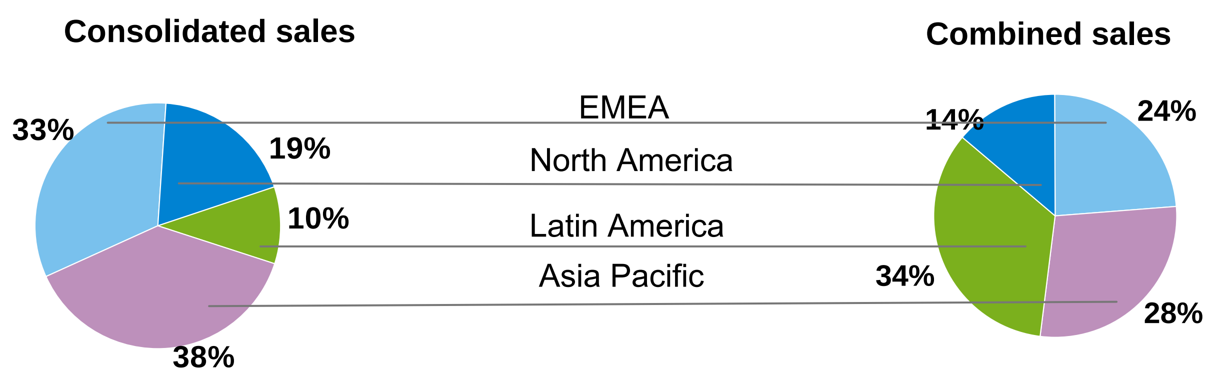
Sales by segment

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%
Total	**3 262.5**	**+34%**	**4 469.5**	**+34%**



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Sales by segment

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

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Sales by segment

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

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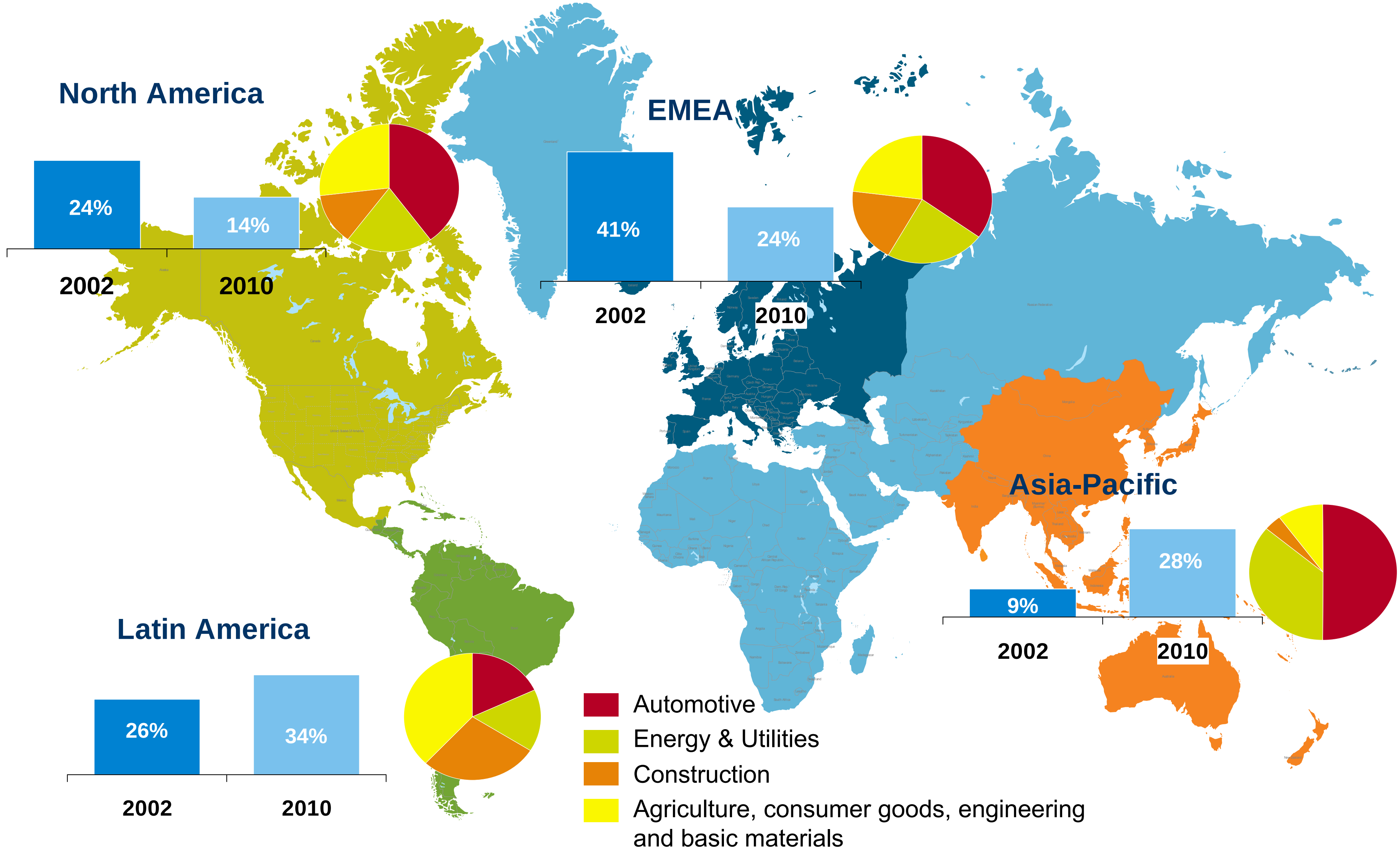
Geographical expansion: sales per region and per sector



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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
Gross profit	**534**	**904**
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

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Consolidated income statement : key figures

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

- 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

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Consolidated income statement : key figures

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

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Segment reporting: EMEA

(In mio €)	2009	2010
Consolidated sales	827	1 066
Operating result before non-recurring items (REBIT)	**2**	**95**
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%
EBITDA	**47**	**144**
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

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Segment reporting: North America

(In mio €)	2009	2010
Consolidated sales	473	638
Operating result before non-recurring items (REBIT)	**-5**	**34**
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%
EBITDA	**13**	**50**
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

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Segment reporting: Latin America

(In mio €)	2009	2010
Consolidated sales	327	311
Operating result before non-recurring items (REBIT)	**28**	**26**
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%
EBITDA	**36**	**38**
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

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Segment reporting: Asia Pacific

(In mio €)	2009	2010
Consolidated sales	809	1 248
Operating result before non-recurring items (REBIT)	**288**	**471**
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%
EBITDA	**349**	**560**
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

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Consolidated income statement : key figures

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

- 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

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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
Result for the period	**170**	**399**
Non-controlling interests	19	31
Attributable to the Group	**152**	**368**

- 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

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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

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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

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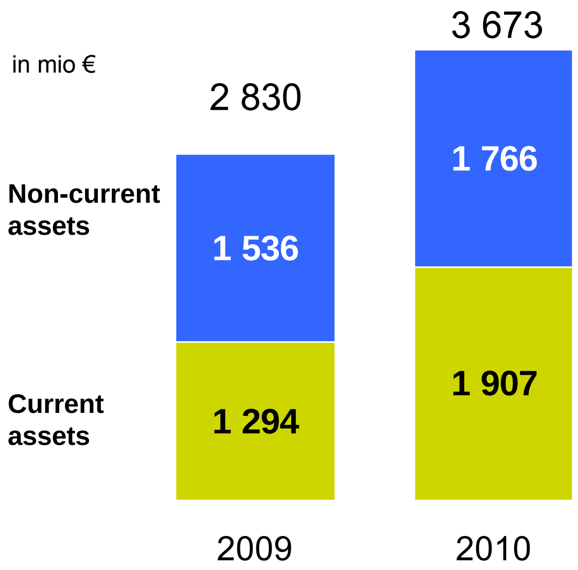
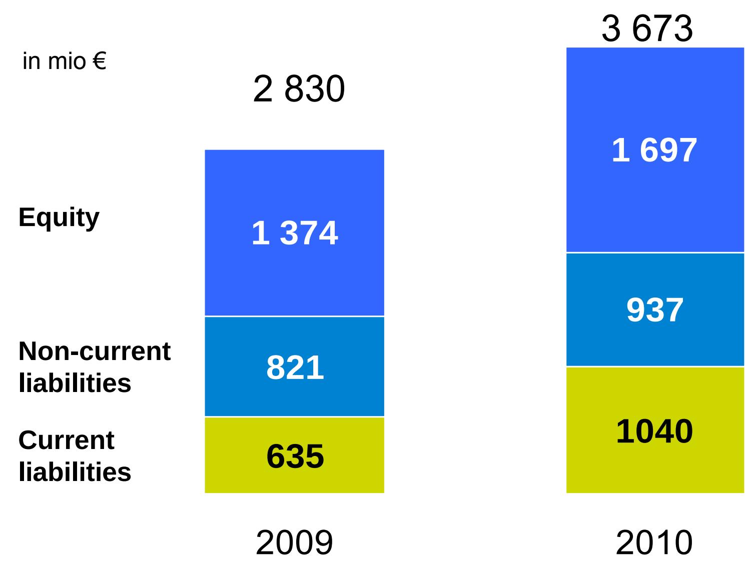
Consolidated balance sheet: key figures

Assets



Equity and Liabilities



- 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

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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

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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

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Outlook

- 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

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Contact

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
www.bekaert.com

Katelijn Bohez
Corporate Communications Manager
Press Relations

President Kennedypark 18
BE-8500 Kortrijk
T +32 56 23 05 71
F +32 56 23 05 43
katelijn.bohez@bekaert.com
www.bekaert.com

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For more information,
welcome @ www.bekaert.com or www.bekaert.mobi

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