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# Half year results 2012

27 July 2012

Bert De Graeve, Chief Executive Officer

Bruno Humblet, Chief Financial Officer

# Address by 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 2011.

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

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# Highlights first half 2012

- Consolidated sales of € 1.8 billion (+0.2%)
  and combined sales of € 2.3 billion (-6.5%)
- Gross profit of € 268 million compared with € 448 million
- REBIT of € 85 million compared with € 242 million
- € 81 million non-recurring items, composed of € 114 million costs
  and € 33 million gains
- EBIT of € 4 million compared with € 232 million
- EBITDA of € 161 million compared with € 342 million
- EPS: € -1.33 compared with € 2.45

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**EMEA:**
Overall challenging market conditions with gradual slowdown in automotive. Solar energy market majorly impacted versus the same period last year.

**North America:**
Continued difficult economic environment in most industrial sectors including automotive.

**Latin America:**
Solid performance in most countries in an increasingly competitive environment.

**Asia Pacific:**
The collapse of the solar energy market has a major impact on the results compared with the same period last year. Other activity platforms showed solid demand in an increasingly competitive environment in total Asia.

# Business review

- Important non-recurring items reflect
  - € -73 million restructuring program in Belgium
  - € -18 million solar related impairments in the rest of the world
  - € -23 million other impairments and provisions
  - € +33 million mainly from inclusion of Chile and sale of Industrial Coatings

- Restructuring program remains on track
  - Implementation of sawing wire related restructuring in line with original plan:
    - Reduction of 609 jobs in Belgium
    - Reduction of 1250 jobs in China
  - Long-term cost savings plan of € 100 million: analysis in progress and implementation started

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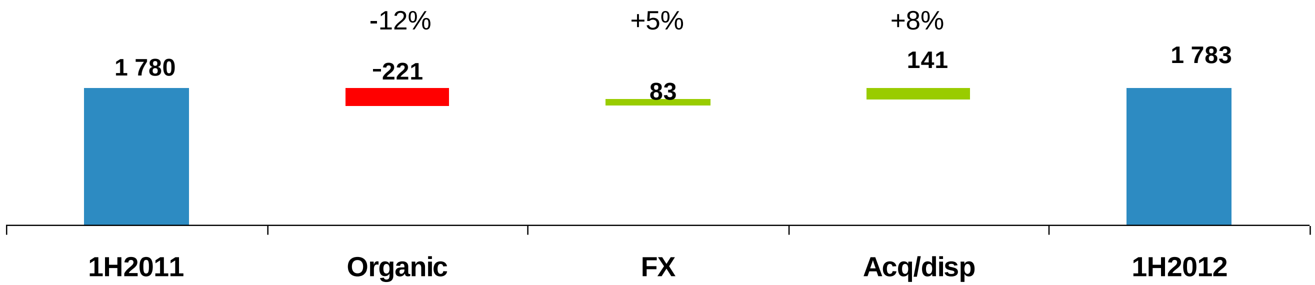
# Sales

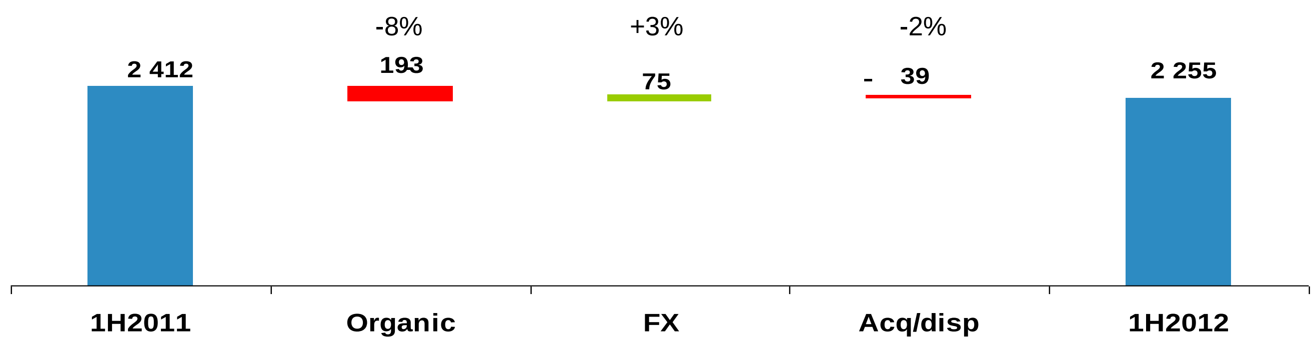
in mio €

Consolidated



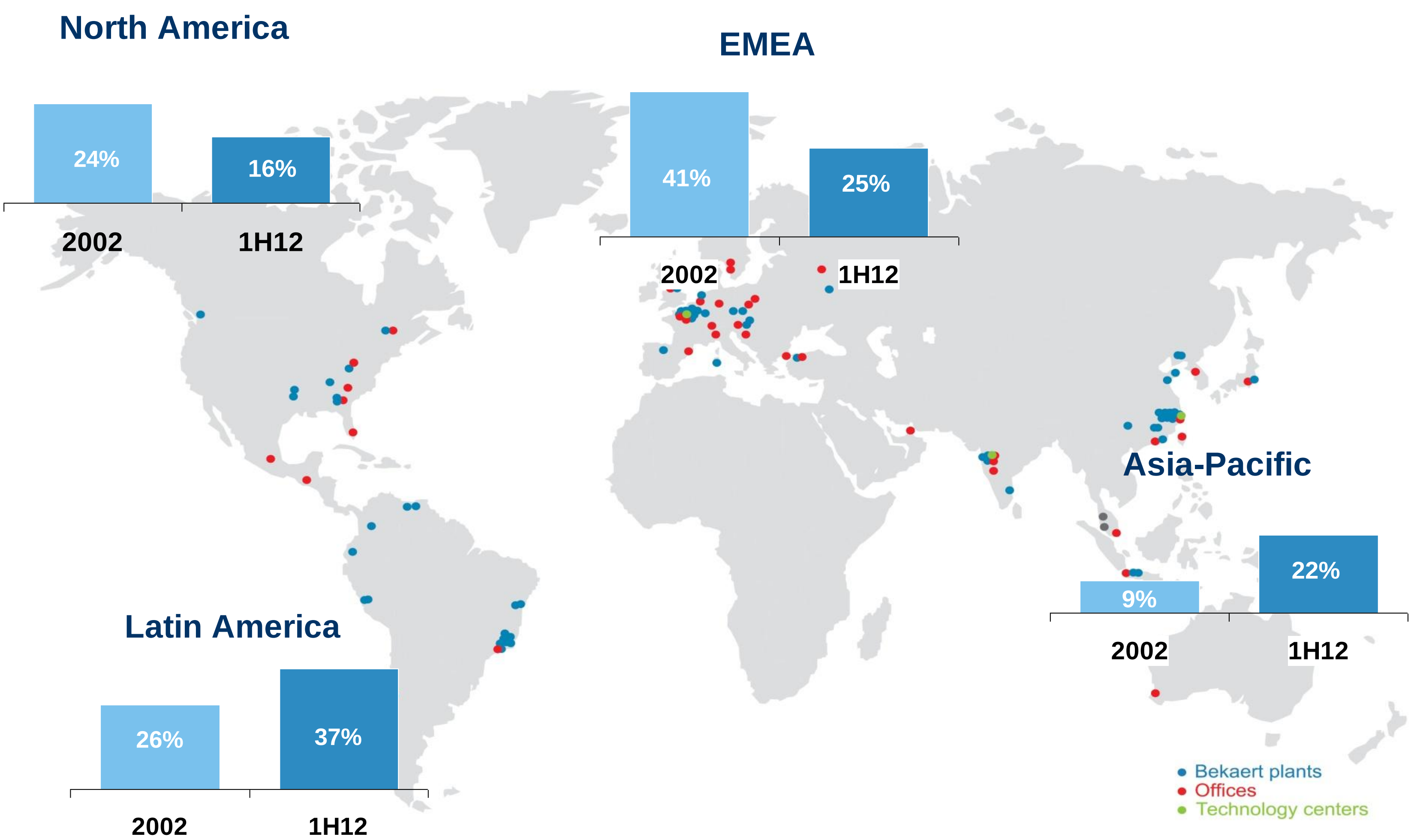

in mio €

Combined




- Stable consolidated sales versus same period last year
- Organic sales decline fully related to lower sawing wire sales
- Positive exchange rate movements due to weaker Euro mainly as of the second quarter
- Addition of Chilean business partly offset by divestments of specialty films and industrial coating business

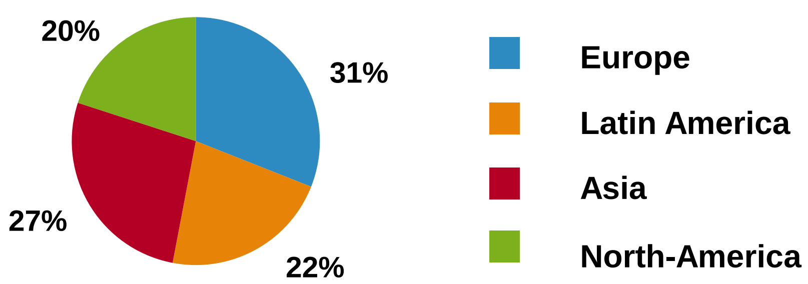
# Global presence with a focus on growth markets



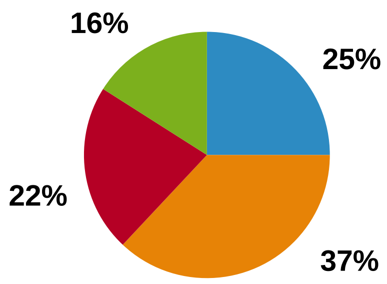
# Sales by segment

| First Half 2012 | Consolidated sales | | Combined sales | |
|---|---|---|---|---|
| | In mio € | variance | in mio € | variance |
| EMEA | 557 | -9% | 555 | -9% |
| North America | 351 | -1% | 351 | +1% |
| Latin America | 397 | +130% | 843 | +4% |
| Asia Pacific | 478 | -25% | 506 | -21% |
| **Total** | **1 783** | **+0.2%** | **2 255** | **-6.5%** |

**Consolidated sales**




**Combined sales**



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# Address by Bruno Humblet, Chief Financial Officer

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# Consolidated income statement: key figures

| (in mio €) | 1H 2011 | 1H 2012 |
|---|---|---|
| Sales | 1 780 | 1 783 |
| Cost of sales | -1 331 | -1 515 |
| Gross profit | 448 | 268 |
| Gross profit margin | 25.2% | 15.0% |

- Flat sales reflect
  - Organic decline fully related to drastic price and volume evolution in sawing wire
  - Inclusion of Chilean business partly offset by divestments of Specialty Films and Industrial Coatings
  - Positive exchange rate movements
- Gross margin decline mainly due to price and mix effect from sawing wire

# Consolidated income statement: key figures

| (in mio €) | 1H2011 | 1H2012 |
| --- | --- | --- |
| Gross profit | 448 | 268 |
| Selling expenses | -88 | -76 |
| Administrative expenses | -69 | -70 |
| R&D expenses | -46 | -39 |
| Others | -2 | 2 |
| Operating result before non-recurring items (REBIT) | 242 | 85 |

- Selling expenses decreased as 2011 included important bad debt provisions
- Admin expenses are stable in spite of the effect of M&A activities
- Reduction in R&D expenses due to cut back in innovation effort for the solar segment
- Total SG&A reduces from 11.4% to 10.4% of sales

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# Consolidated income statement: key figures

| (in mio €) | 1H2011 | 1H2012 |
|---|---|---|
| Operating result before non-recurring items (REBIT) | 242 | 85 |
| REBIT on sales | 13.6% | 4.8% |
| Non-recurring items | -10 | -81 |
| Operating result (EBIT) | 232 | 4 |
| EBIT on sales | 13.0% | 0.2% |
| EBITDA | 342 | 161 |
| EBITDA on sales | 19.2% | 9.0% |

- Non-recurring items reflect
  - € -73 million restructuring program in Belgium
  - € -18 million solar related impairments in the rest of the world
  - € - 23 million other impairments and provisions
  - € +33 million, mainly from inclusion of Chile and sale of IC
- Low EBITDA margin reflects the difficult business environment and the cash impact of the restructuring

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# Segment reporting: EMEA

| (in mio €) | 1H 2011 | 1H 2012 |
|---|---|---|
| Consolidated sales | 614 | 557 |
| Operating result before non-recurring items (REBIT) | 54 | 36 |
| REBIT on sales | 8.9% | 6.4% |
| Non-recurring items | -9 | -49 |
| Operating result (EBIT) | 46 | -14 |
| Depreciation, amortization and impairment losses | 28 | 48 |
| EBITDA | 74 | 34 |
| EBITDA on sales | 12.1% | 6.2% |

- Sales and REBIT margin decrease reflect weaker product mix, mainly due to the decline in automotive business and in sawing wire
- Non-recurring items include the restructuring on manufacturing platforms partly offset by a gain on the sale of the Industrial Coating business

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# Segment reporting: North America

| (in mio €) | 1H 2011 | 1H 2012 |
|---|---|---|
| Consolidated sales | 354 | 351 |
| Operating result before non-recurring items (REBIT) | 28 | 21 |
| REBIT on sales | 7.8% | 6.1% |
| Non-recurring items | -1 | -14 |
| Operating result (EBIT) | 27 | 8 |
| Depreciation, amortization and impairment losses | 7 | 18 |
| EBITDA | 34 | 26 |
| EBITDA on sales | 9.7% | 7.3% |

- Flat sales as the positive impact from exchange rate movements and the inclusion of the ropes business in Canada offset the sale of the Specialty Films activities
- REBIT reduction due to weaker product mix and impact of M&A activities
- Non-recurring items mainly reflect the impairment of goodwill and assets for the wire activity platform in Canada

# Segment reporting: Latin America

| (in mio €) | 1H 2011 | 1H 2012 |
|---|---|---|
| Consolidated sales | 173 | 397 |
| Operating result before non-recurring items (REBIT) | 16 | 29 |
| REBIT on sales | 9.3% | 7.2% |
| Non-recurring items | 0 | 19 |
| Operating result (EBIT) | 16 | 47 |
| Depreciation, amortization and impairment losses | 6 | 10 |
| EBITDA | 22 | 57 |
| EBITDA on sales | 12.6% | 14.5% |

- Sales include the business in Chile
- Overall margin decreased as the Chilean business includes an important trading activity which has lower margins
- The non-recurring items reflect the gain on the Chilean consolidation transaction

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# Segment reporting: Asia Pacific

| (in mio €) | 1H 2011 | 1H 2012 |
|---|---|---|
| Consolidated sales | 639 | 478 |
| Operating result before non-recurring items (REBIT) | 185 | 35 |
| REBIT on sales | 29.0% | 7.4% |
| Non-recurring items | -1 | -18 |
| Operating result (EBIT) | 185 | 18 |
| Depreciation, amortization and impairment losses | 71 | 83 |
| EBITDA | 256 | 101 |
| EBITDA on sales | 40.0% | 21.1% |

- Sales and REBIT decline reflect the collapse of the solar business
- Other businesses showed stable volumes in an increasingly competitive environment
- Non-recurring items reflect impairments related to the sawing wire business
- EBITDA margin remains above 20% in spite of the very challenging external environment

# Consolidated income statement: key figures

| (in mio €) | 1H 2011 | 1H 2012 |
|---|---|---|
| Operating result (EBIT) | 232 | 4 |
| Interest income/expense | -32 | -41 |
| Other financial income and expenses | -3 | -12 |
| Result before taxes | 197 | -49 |
| Income taxes | -54 | -27 |
| Result after taxes (consolidated companies) | 144 | -76 |

- Higher interest cost reflects higher average gross debt
- Income taxes remain significant as profits are taxable in the country where they are generated, while losses in other countries do not create an offset

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# Consolidated income statement: key figures

| (in mio €) | 1H 2011 | 1H 2012 |
|---|---|---|
| Result after taxes (consolidated companies) | 144 | -76 |
| Share in the results of JV's and associates | 14 | 6 |
| Result for the period | 158 | -70 |
| Non-controlling interests | 13 | 8 |
| Attributable to the Group | 144 | -79 |

- Lower result in the JVs as Chile now is part of the consolidated business
- Total result for the Group reflects the major impact from the non-recurring items

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# Cash flow: key figures

| (in mio €) | 1H 2011 | 1H 2012 |
|---|---|---|
| Gross cash flows from operations | 262 | 125 |
| Cash flows from operations | -61 | 166 |
| Cash flows from investing activities | -128 | -30 |
| Cash flows from financing activities | 125 | -27 |

- Cash flow from operations includes cash generation by the business combined with working capital reduction
- Limited capital expenditure as global economy continues to slow down

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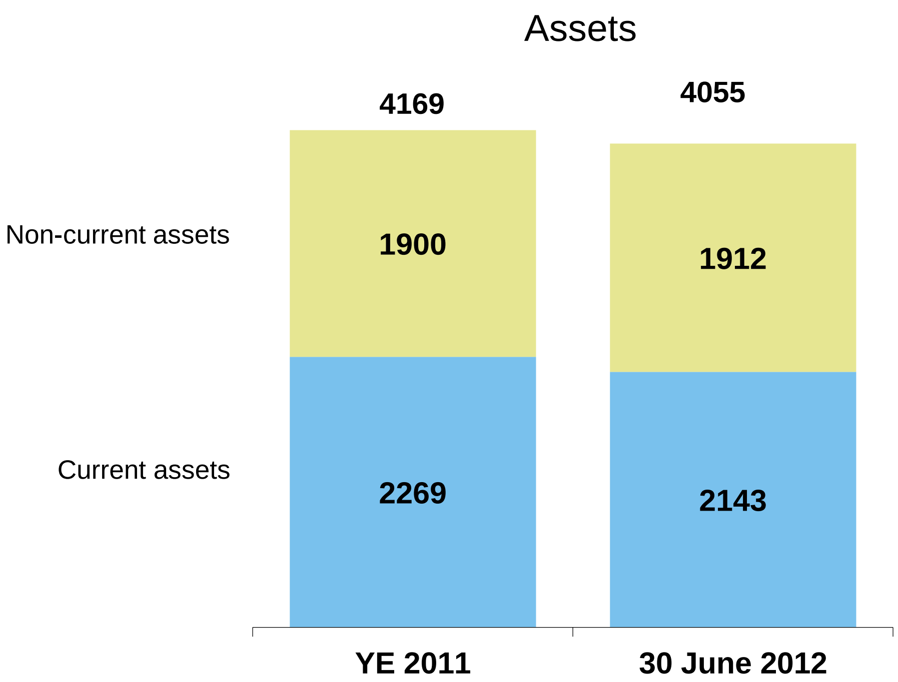
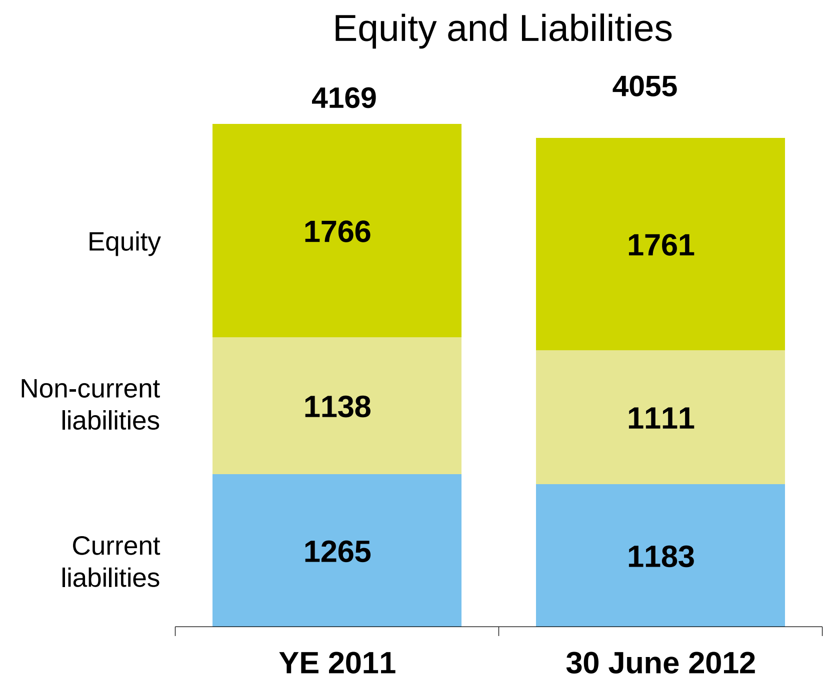
# Working capital: key figures

| (in mio €) | 1H 2011 | Jan. 2012 | 1H 2012 |
|---|---|---|---|
| Inventories | 637 | 667 | 658 |
| Accounts receivable | 921 | 931 | 908 |
| Accounts payable | -476 | -446 | -448 |
| **Operating working capital** | **1 082** | **1 152** | **1 117** |

- Working capital reduction versus beginning 2012
- Inventory decrease reflects focus in all plants
- Strong focus on accounts receivable shows first positive effect
- Working capital of 31.8% of sales

# Consolidated balance sheet: key figures




- Decrease of current assets and liabilities reflect the pay back of a retail bond for € 150 million
- Equity remains stable as losses impacting retained earnings are offset by the equity linked to the control of the Chilean entities

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# Balance sheet: key figures

| (in mio €) | 1H 2011 (*) | YE 2011 (*) | 1H 2012 (*) |
|---|---|---|---|
| Net debt | 812 | 856 | 866 |
| Gearing (net debt on equity) | 47.1% | 48.5% | 49.2% |

- Net debt is in line with year end 2011 in spite of dividend payments, exchange rate movements and M&A activities
- Gearing in line with long term target

**(*) change in definition introduced in Q1 2012**

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# Ratios: key figures

| (in mio €) | 1H 2011 | 1H 2012 |
|---|---|---|
| EBITDA margin on sales | 19.2% | 9.0% |
| REBIT margin on sales | 13.6% | 4.8% |
| EBIT margin on sales | 13.0% | 0.2% |
| Sales on capital employed (asset rotation) | 1.5 | 1.3 |
| Return on capital employed | 19.5% | 0.3% |
| Return on equity | 18.4% | -8.0% |

# Key figures per share

| In € | 1H 2011 | 1H 2012 |
|---|---|---|
| Share price at 30 June | 52.50 | 19.51 |
| Number of existing shares at 30 June | 59 884 973 | 59 976 198 |
| Book value | 28.78 | 29.37 |
| Weighted average number of outstanding shares | 58 921 406 | 59 036 498 |
| Cash flow attributable to the Group | 4.33 | 1.46 |

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# Outlook

- Despite lower domestic demand in most regions and a business activity slowdown of export-driven Asian customers, Bekaert achieved stable volumes in the first half of 2012.

- Declining confidence and high uncertainty in a context of persistent turbulence in the global financial systems, tight financing for our customer base, and a lack of consistent indicators of global economic recovery have created a downward trend and impose a cautious outlook for the coming months.

- This current environment reinforces the need for the ongoing cost reductions that are pursued at a global scale in view of restoring the Group's desired profitability by 2014. Bekaert confirms its determination to remain a market and technological leader and to take all measures needed to secure its unchanged strategic ambitions of sustainable profitable growth.

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# Financial calendar

| | | | |
|---|---|---|---|
| Third quarter trading update 2012 | 14 | November | 2012 |
| 2012 results | 27 | February | 2013 |
| 2012 annual report available on internet | 29 | March | 2013 |
| First quarter trading update 2013 | 08 | May | 2013 |
| General meeting of shareholders | 08 | May | 2013 |