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Half year results 2013

Brussels, 26 July 2013

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Address by Bert De Graeve, 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 results are unaudited.

All comparisons are made relative to the figures of the first half of 2012.

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

The comparative financials for 2012 have been restated in accordance with the revised IAS 19, Employee Benefit Obligations. The effects of this restatement were rather limited : € -1.9 million on the result for 2012 (€ -1.0 million on 1H 2012), the main part of which was reclassified from equity.

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.

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Highlights first half 2013

- Consolidated sales of € 1.6 billion (-7.5%)
  and combined sales of € 2.1 billion (-5.1%).
- Gross profit of € 249 million compared with € 268 million.
- REBIT of € 91 million compared with € 85 million.
- Non-recurring items of € -2 million compared with of € -81 million.
- EBIT of € 89 million compared with € 4 million.
- EBITDA of € 172 million compared with € 160 million.
- EPS: € 0.45 compared with € -1.35.

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Business review

- Stable volume while industrial markets globally were weak.
- Fierce competitive situation in most markets resulting in continued / renewed price pressure.
- Implementation of restructuring measures remains on track.
- Stable profitability.

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Business review

EMEA:

After a slow start of the year, demand picked up in Q2.

Solid margin reflecting the impact of the restructuring measures.

North America:

Continued weak demand in domestic industrial markets, investment delays in energy markets and increased imports from Asia.

Latin America:

Solid growth mainly in Peru and Ecuador.

Impact of the applied changes in consolidation accounting in Venezuela in line with forecast.

Asia Pacific:

Very competitive business environment resulting in price erosion.

Restructuring of the sawing wire platform improved profitability.

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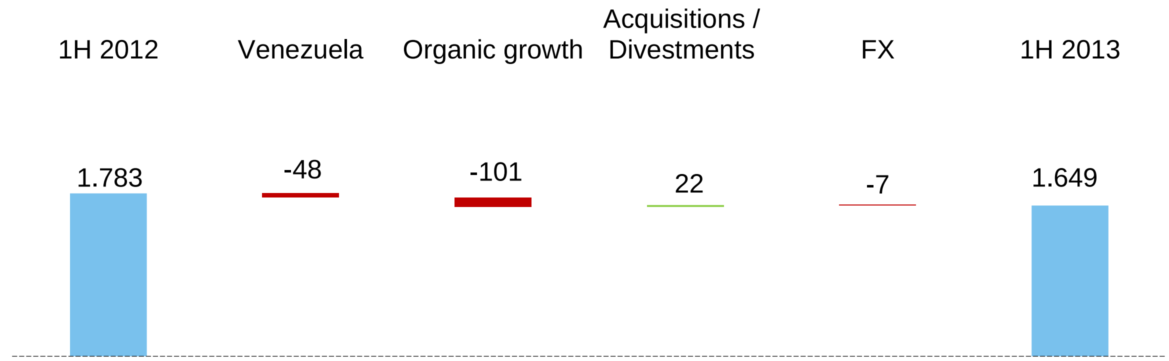
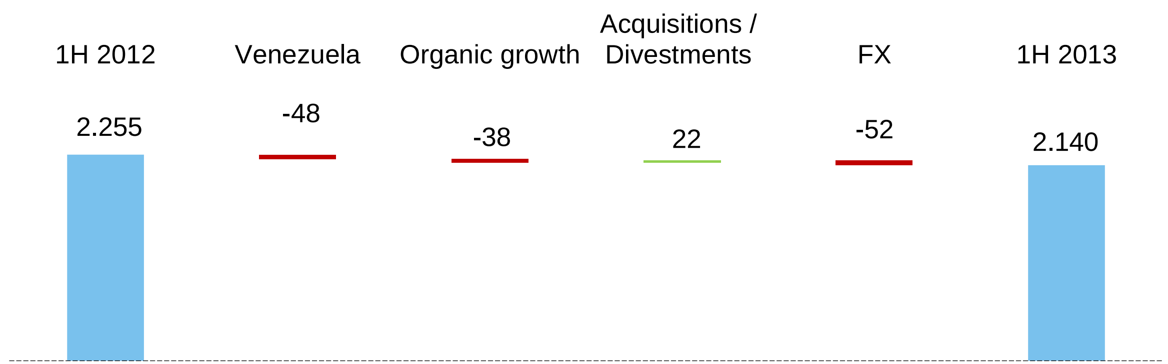
Sales

in mio €

Consolidated



Combined



- Change in consolidation accounting in Venezuela.
- Organic sales decline due to lower wire rod prices and negative price/mix.
- Impact from M&A reflects divestment of Industrial Coatings and inclusion of Malaysia.

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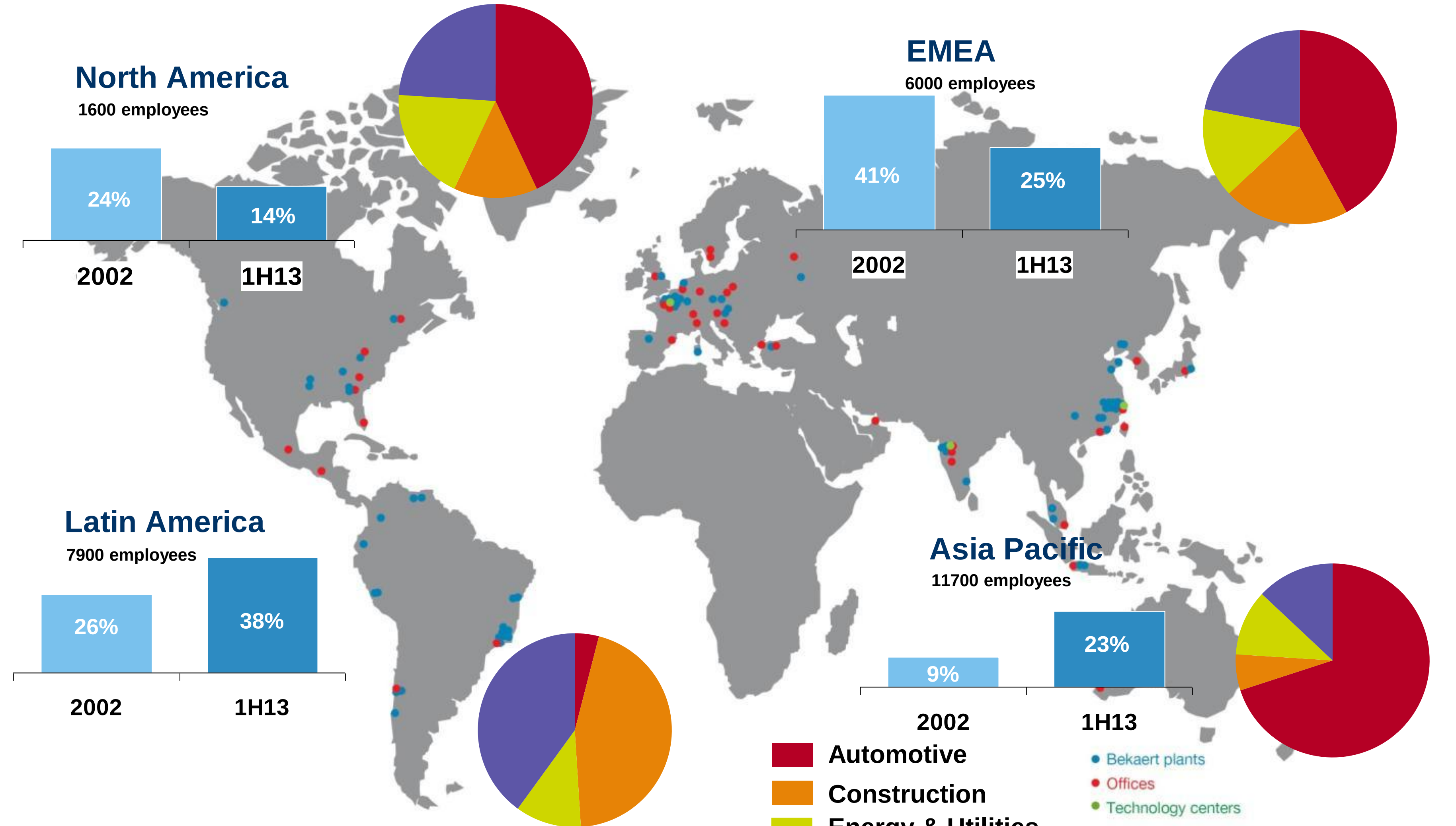
Bekaert global presence



Combined sales breakdown by region – 1H13 versus 2002

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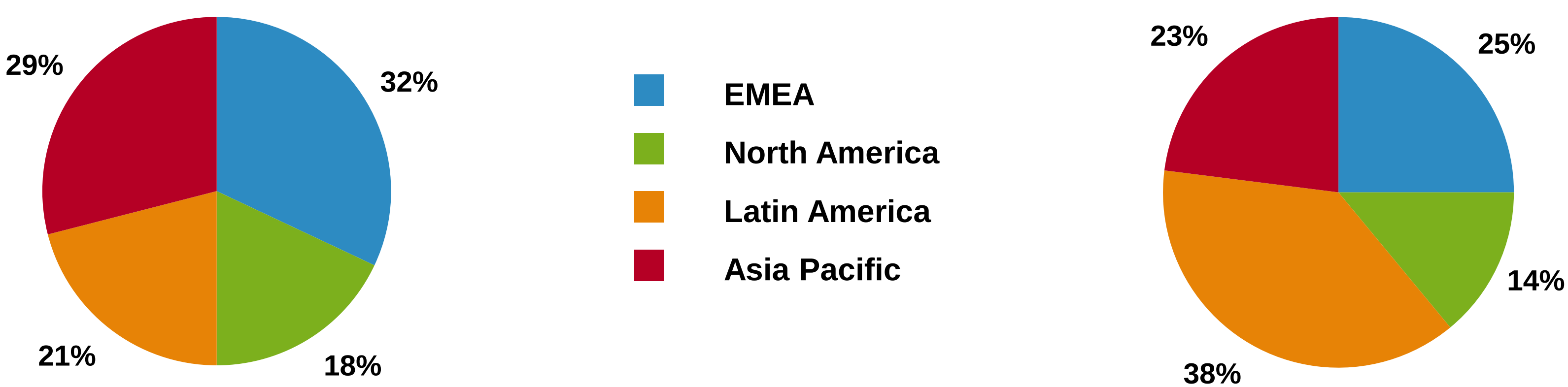
Sales by segment

First Half 2013	Consolidated sales		Combined sales	
	In mio €	variance	in mio €	variance
EMEA	532	-4%	527	-5%
North America	295	-16%	294	-16%
Latin America	352	-11%	823	-2%
Asia Pacific	470	-2%	495	-2%
Total	**1 649**	**-8%**	**2 139**	**-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 2012	1H 2013
Sales	1 783	1 649
Cost of sales	(1 515)	(1 400)
Gross profit	**268**	**249**
Gross profit margin	15.0%	15.1%

- Sales evolution versus H1 2012 mainly reflects:
  - Impact of Venezuela.
  - Lower wire rod prices.
  - Lower price/mix mainly reflecting the competitive environment.
  - Acquisition of wire business in Malaysia and divestment of Industrial Coatings.
- Gross margin remained stable as impact of lower prices has been offset by the impact of the restructuring measures.

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Consolidated income statement: key figures

(In mio €)	1H 2012	1H 2013
Gross profit	268	249
Selling expenses	(76)	(68)
Administrative expenses	(70)	(63)
R&D expenses	(39)	(32)
Others	2	5
Operating result before non-recurring items (REBIT)	85	91

- Total SG&A reduces from 10.4% to 9.9% of sales.
- Reduction in selling expenses mainly reflects less reserves for bad debt.
- Lower admin expenses due to the impact of cost optimization measures.
- Reduction in R&D expenses mainly reflects interventions on sawing wire.

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Consolidated income statement: key figures

(In mio €)	1H 2012	1H 2013
Operating result before non-recurring items (REBIT)	85	91
REBIT margin on sales	4.8%	5.5%
Non-recurring items	(81)	(2)
Operating result (EBIT)	4	89
EBIT margin on sales	0.2%	5.4%
EBITDA	160	172
EBITDA margin on sales	9.0%	10.4%

- EBIT margin above 5% of sales within a difficult business environment.
- Limited non-recurring as most interventions executed in the first half year had been announced and provided for in 2012.
- EBITDA margin above 10% for the first time after the collapse of the solar business.

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Segment reporting: EMEA

(In mio €)	1H 2012	1H 2013
Consolidated sales	557	532
Operating result before non-recurring items (REBIT)	36	46
REBIT margin on sales	6.4%	8.7%
Non-recurring items	(49)	(1)
Operating result (EBIT)	(14)	45
Depreciation, amortization and impairment losses	48	23
EBITDA	34	68
EBITDA margin on sales	6.2%	12.8%

- Sales reflects a very weak 1st quarter partly offset by a stronger 2nd quarter.
- REBIT margin improvement reflects the important impact of the restructuring measures.

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Segment reporting: North America

(In mio €)	1H 2012	1H 2013
Consolidated sales	351	295
Operating result before non-recurring items (REBIT)	21	13
REBIT margin on sales	6.1%	4.3%
Non-recurring items	(14)	(0)
Operating result (EBIT)	8	12
Depreciation, amortization and impairment losses	18	6
EBITDA	26	18
EBITDA margin on sales	7.3%	6.2%

- Sales decline mainly due to lower volume reflecting a weak demand in most industrial segments, competitive entry in bead wire and lower trading activities due to Asian imports.
- Margin reduced due to lower capacity utilization only partly offset by cost savings.

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Segment reporting: Latin America

(In mio €)	1H 2012	1H 2013
Consolidated sales	397	352
Operating result before non-recurring items (REBIT)	29	28
REBIT margin on sales	7.2%	7.9%
Non-recurring items	19	(0)
Operating result (EBIT)	47	28
Depreciation, amortization and impairment losses	10	11
EBITDA	57	39
EBITDA margin on sales	14.5%	11.1%

- Changes in consolidation accounting in Venezuela result in sales reduction of € 48 million and REBIT reduction of € 6 million.
- Excluding Venezuela, stable sales reflect volume increase of 7% offset by lower prices due to lower wire rod prices and weaker product mix.
- REBIT margin remains solid in spite of strong price pressure from Asian imports.

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Segment reporting: Asia Pacific

(In mio €)	**1H 2012**	**1H 2013**
Consolidated sales	478	470
Operating result before non-recurring items (REBIT)	35	39
REBIT margin on sales	7.4%	8.4%
Non-recurring items	(18)	(0)
Operating result (EBIT)	18	39
Depreciation, amortization and impairment losses	83	44
EBITDA	101	84
EBITDA margin on sales	21.1%	17.8%

- Sales reflect the inclusion of Southern wire in Malaysia +7% and an organic volume increase of 4% more than offset by lower selling prices due to cheaper wire rod -3% and negative price/mix impact -9%.
- Increase in EBIT margin in spite of significant selling price decreases due to the positive impact of the restructuring measures.

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Consolidated income statement: key figures

(In mio €)	1H 2012	1H 2013
Operating result (EBIT)	4	89
Interest income / expense	(42)	(33)
Other financial income & expenses	(12)	(8)
Result before taxes	(50)	48
Income taxes	(27)	(30)
Result after taxes (consolidated companies)	(77)	18

- Lower interest cost reflects important reduction of average gross and net debt.
- High income tax rate as profits are taxable in the countries 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 2012	1H 2013
Result after taxes from consolidated companies	(77)	18
Share in the results of JVs and associates	6	17
Result for the period	(71)	35
Attributable to non-controlling interests	8	9
Attributable to the Group	(80)	26

- Result from the joint ventures increased behind improved business performance in Brazil and some one off items.
- Increase in result for non-controlling interests due to solid profitability in Latin America and improved profits in Asia.

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Cash flow: key figures

(In mio €)	1H 2012	1H 2013
Gross cash flows from operations	125	137
Cash flows from operations	166	62
Cash flows from investing activities	(30)	(20)
Cash flows from financing activities	(27)	(80)

- Cash from operations reflect an increase in working capital in line with seasonality.
- Low capex spending in the first half.

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Working capital: key figures

(In mio €)	1H 2012	YE 2012	1H 2013
Inventories	658	568	576
Accounts receivable	908	774	830
Accounts payable	(448)	(443)	(432)
Working capital	1 117	898	974

- Versus same moment last year, inventories and receivables decreased importantly reflecting the targeted effort done in those areas.
- The increase in receivables versus end 2012 reflects the higher running rate of the business versus end 2012.

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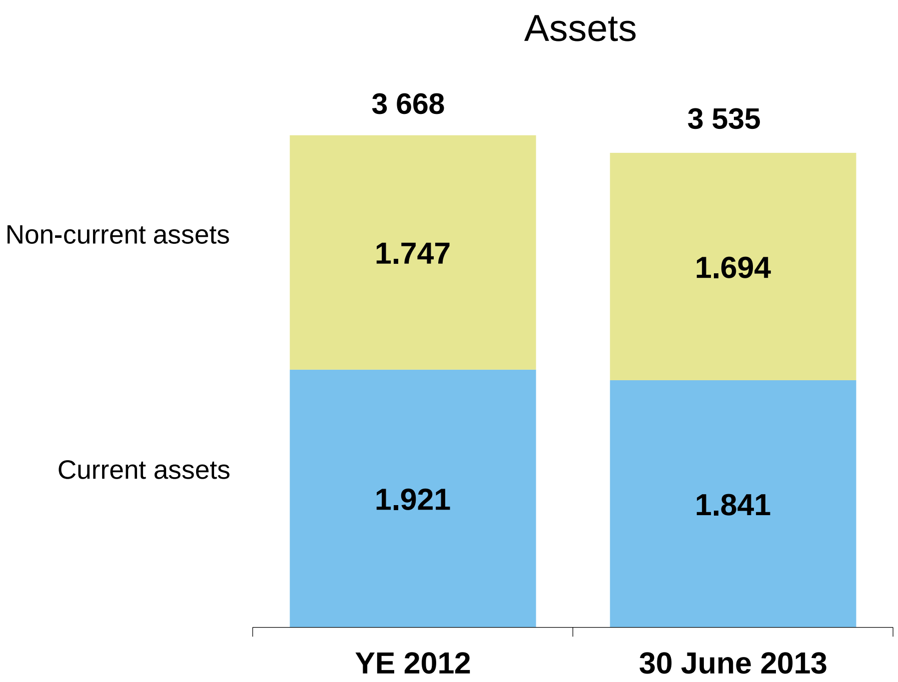
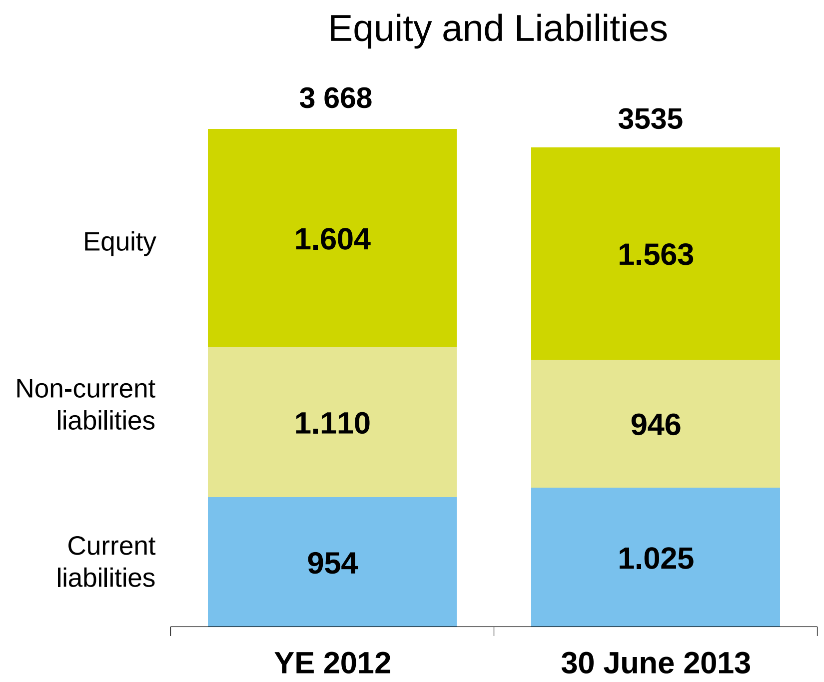
Consolidated balance sheet: key figures





- Reduction of non-current assets reflects the asset impairments.
- Current assets reduced behind the debt optimization.
- Equity reduced due to the dividend payment and share buy back.
- Change in liabilities reflect the debt optimization.

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Balance sheet: key figures

(In mio €)	1H 2012	YE 2012	1H 2013
Net financial debt	866	700	770
Gearing (net debt to equity)	49.2%	43.7%	49.3%
Net debt on EBITDA	2.7	2.5	2.2
Net debt on REBITDA	2.3	2.1	2.2

- Net debt below same period last year but above end 2012 reflecting the changes in working capital.
- Gearing at target level.
- Net debt to EBITDA above the target of 2X.

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Ratios: key figures

(In mio €)	**1H 2012**	**1H 2013**
EBITDA margin on sales	9.0%	10.4%
REBIT margin on sales	4.8%	5.5%
EBIT margin on sales	0.2%	5.4%
Sales on capital employed (asset rotation)	1.3	1.4
Return on capital employed (ROCE)	0.3%	7.4%
Return on equity (ROE)	-8.1%	4.4%

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Key figures per share

(In mio €)	1H 2012	1H 2013
Share price	19.51	24.44
Number of existing shares	59 976 198	60 000 942
Book value	26.46	23.13
Earnings per share (EPS)	(1.35)	0.45
Weighted average number of shares	59 036 498	58 653 506

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Outlook

- Lack of consistent indicators of a global economic recovery.
- Seasonality mainly in EMEA and North America.
- Continued volatile and increasingly competitive environment in Asia.
- Potential renewed price pressure combined with tight credit management in China.
- Implementation of the cost reduction is on track and is expected to continue to support profitability.

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Financial calendar

Third quarter trading update 2013	14	November	2013
2013 results	28	February	2014
2013 annual report available on internet	28	March	2014
First quarter trading update 2014	14	May	2014
General Meeting of shareholders	14	May	2014

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Global cost reduction program

(in mio €)	2012	2013	Ongoing
Identified	90	100	100
Implementation started	60	100	100
Impact on cost structure	**20**	**70**	**100**

- 40% of cost reduction are in cost of sales.
- Wage cost inflation partly offsets cost saving efforts, estimated € 15 million annual.
- Investment in selling expenses to support future growth.
- M&A activities negatively impacted absolute amount of indirect costs.
- Exchange rate fluctuation.

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