

# Annual results 2008

13 March 2009

Baron Buysse, Chairman of the Board of Directors

Bert De Graeve, Chief Executive Officer

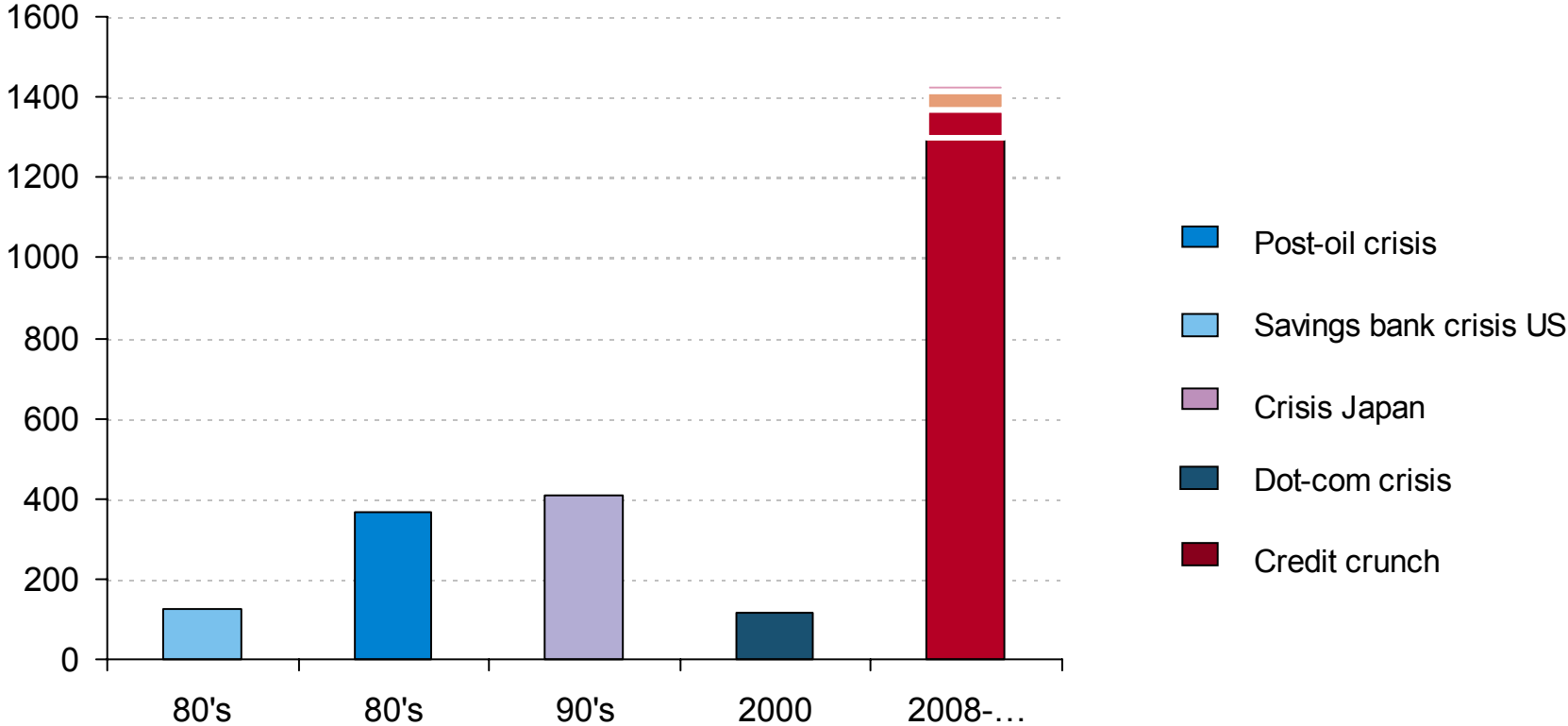
Bruno Humblet, Chief Financial Officer

# Address by Baron Buysse, Chairman of the Board of Directors

- **Bekaert is well positioned to capture growth**
- **On a global base**
- **Ensuring sustainable profitable growth**

# Estimated damage from the credit crisis

Estimated damage in billions of US\$:

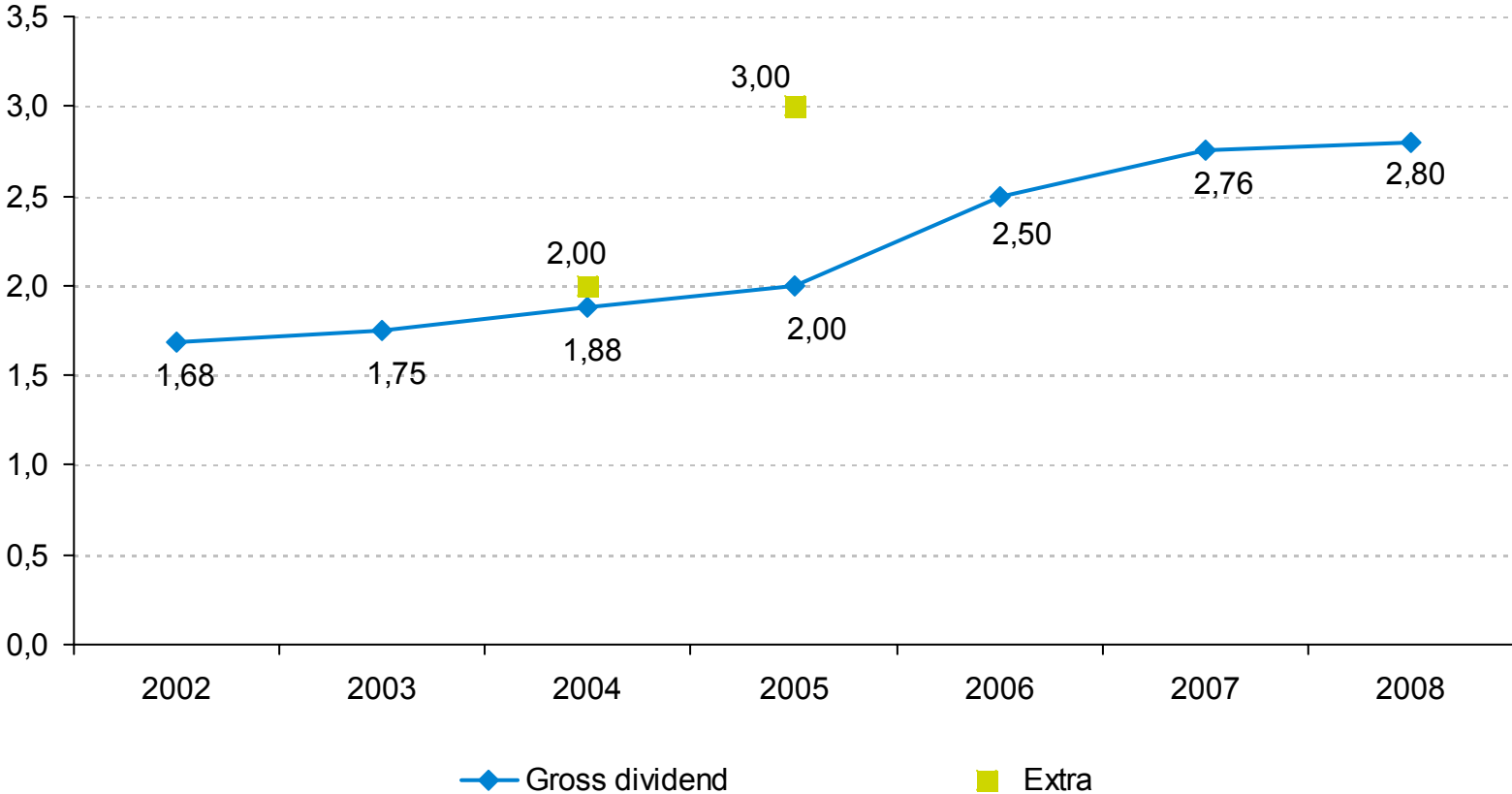


- **Investments in innovation**
- **Prudent and healthy financial management**
- **Cash generating operations**
- **Working capital control**

## Corner stone of Bekaert's strategy:

- Sustainable profitable growth
- Worldwide
  - Technological leadership
  - Market leadership

# Dividend 2002 - 2008



# Address by B. De Graeve, Chief Executive Officer

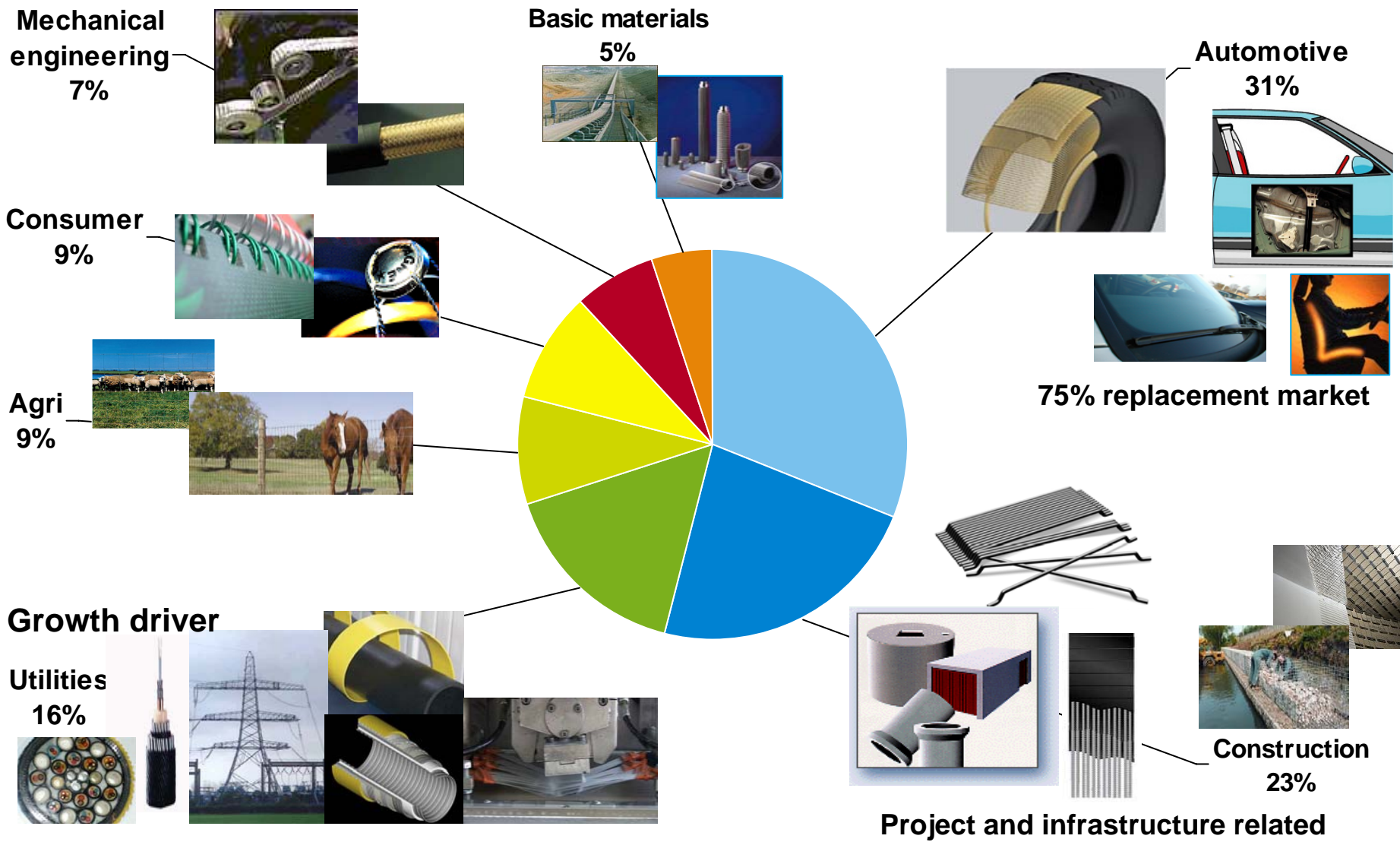


## **2008 was characterized by the impact of the credit crisis....**

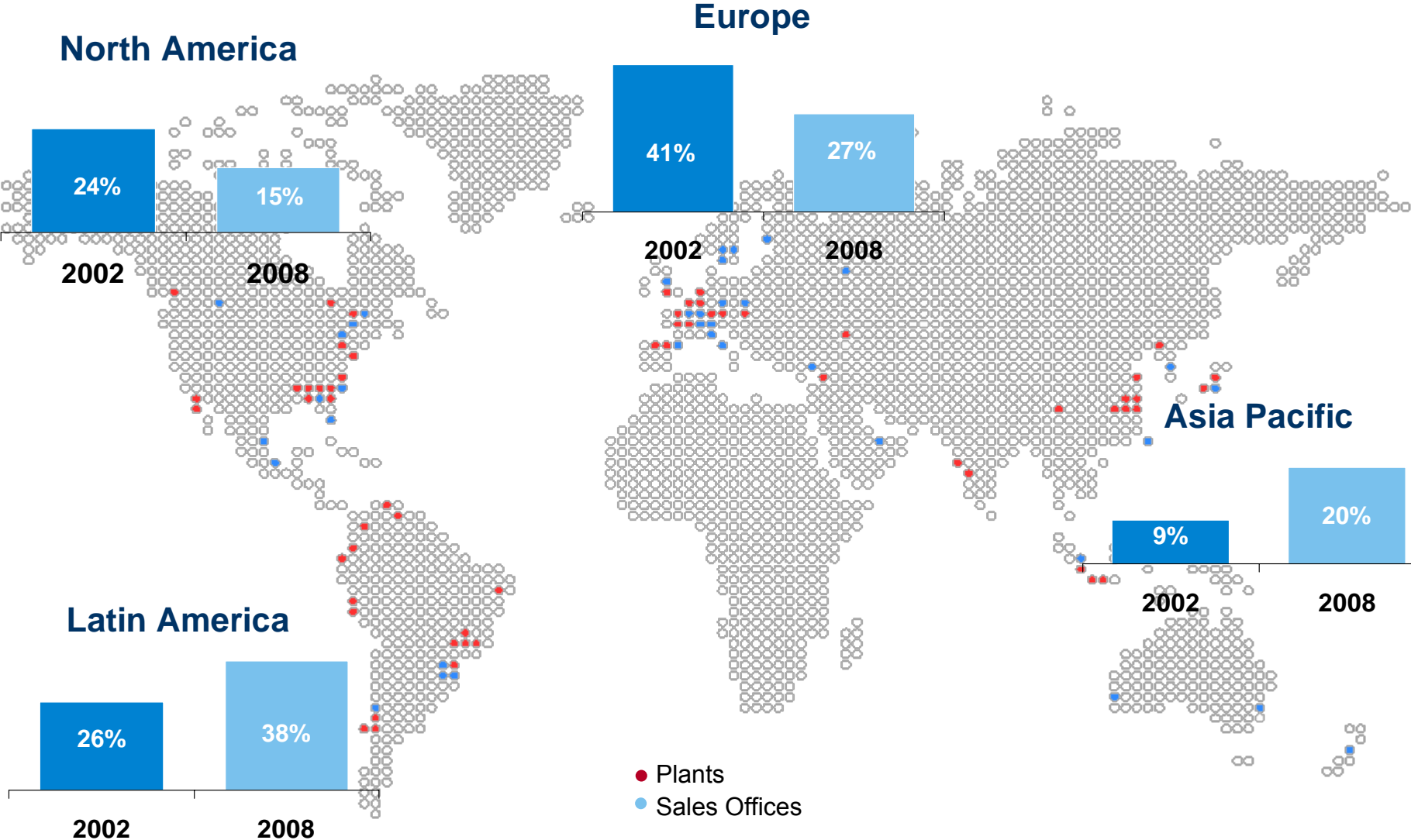
- The deterioration of the housing market started in the summer 2007 in the US
- Mortgages as CDO's appear to be worthless and lead to write-downs
- Banks with a too low equity fail or are nationalized
- The financial crisis spreads over the world and impacts the real economy
- Fear for deflation and global recession
- Financing becomes difficult and expensive, increasing (temporary) unemployment, plant closures, etc.
- The financial structure becomes crucial and companies switch to “survival mode”
- The economic activities decrease fast and emerging markets come under stress

**Market value: a lot of wealth evaporated .....**

# Presence in different market sectors

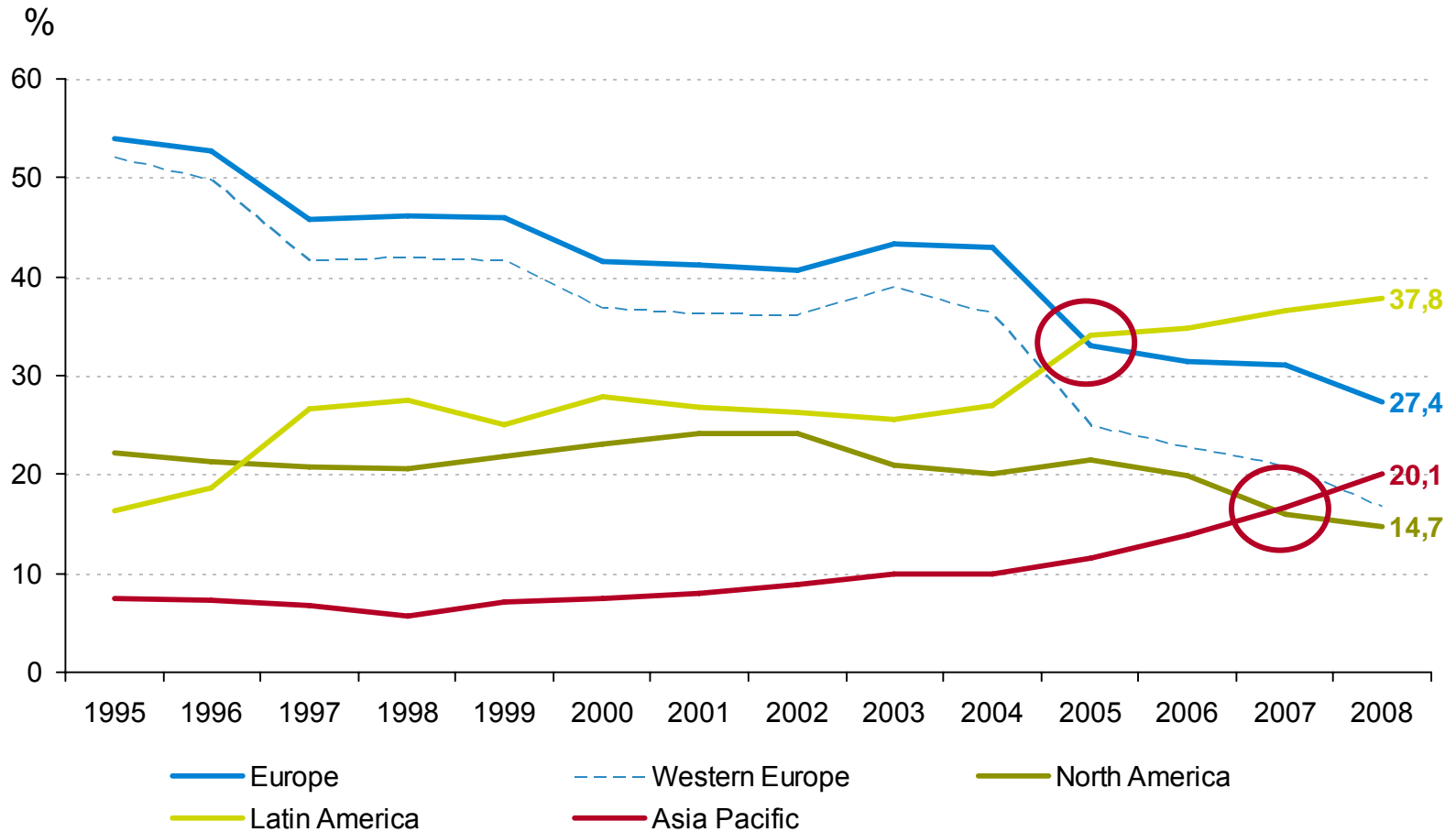


# Bekaert at a glance: global presence



# Growth in mature and emerging markets

## Combined sales by geographical area



## Focus on innovation

- Over 68 million euro in-house R&D (3% consolidated sales)
- Investments in corporate venturing
- International research team in Belgium (300 employees)
- Research team in China (200 employees)
- Over 2200 patent rights (of which 380 inventions)

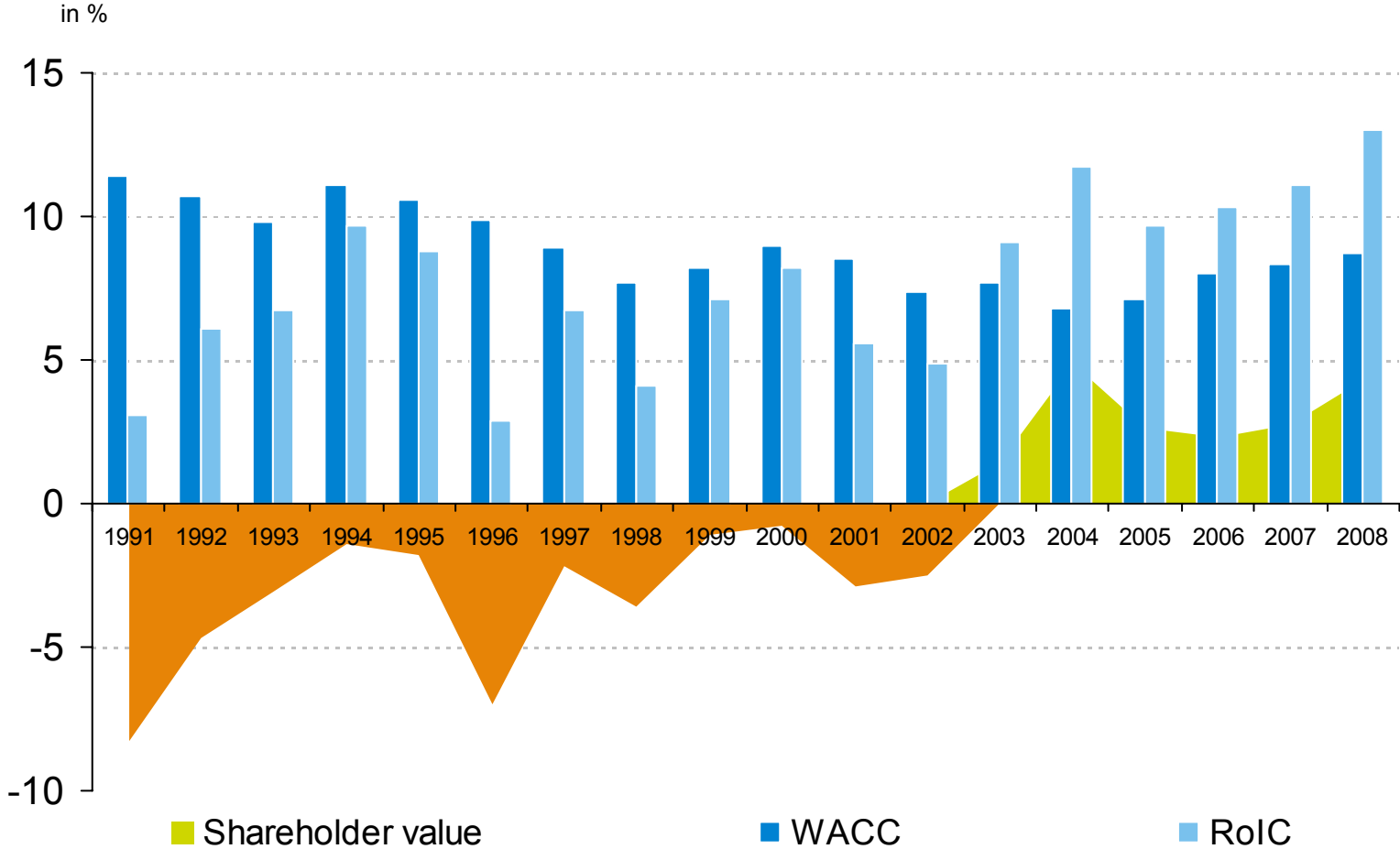


## with the right partners and priorities:

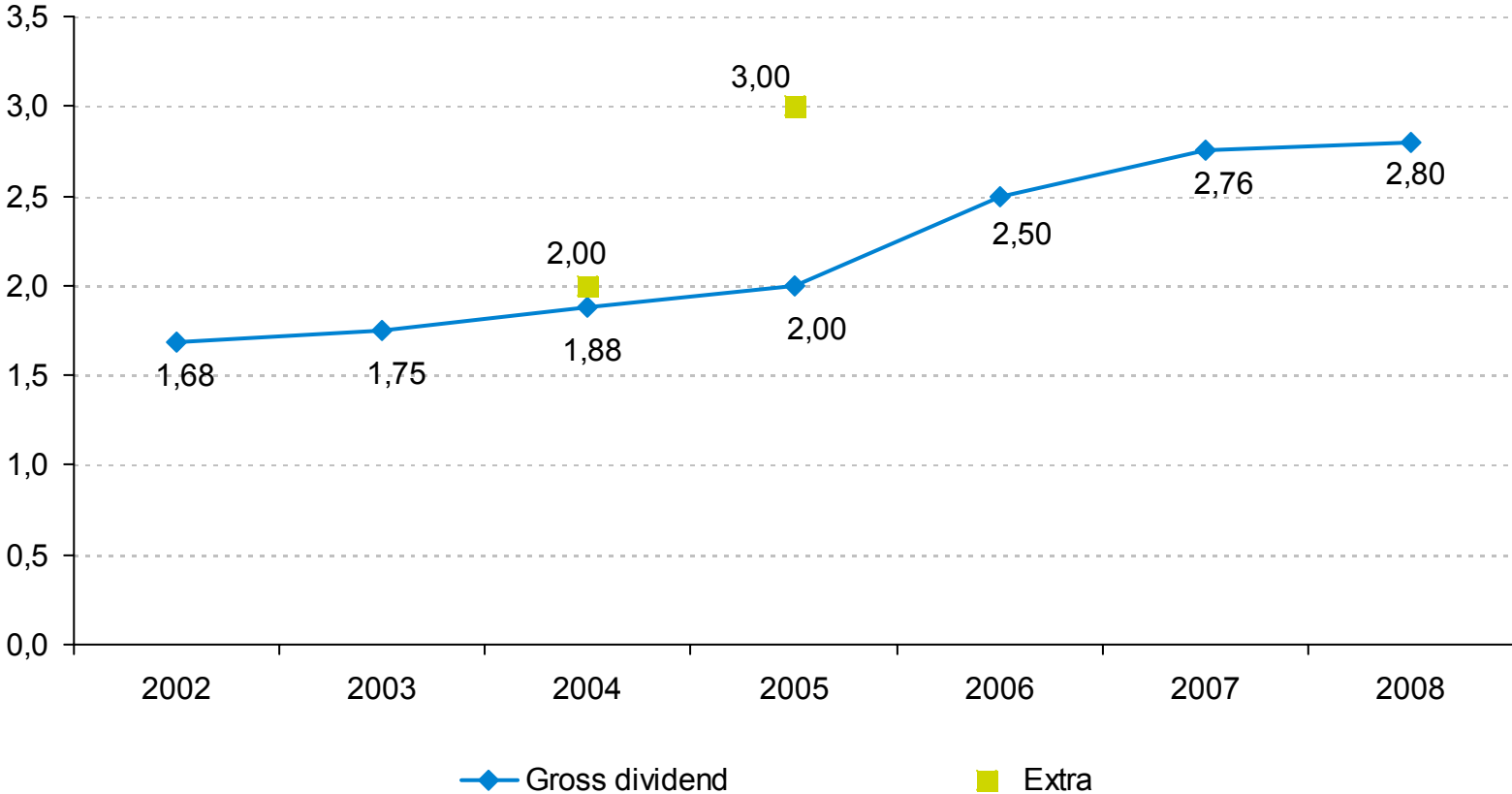
- Customer focused innovation and co-development
- Focus on high-tech niche products, systems and solutions
- Outward orientation
  - ⇒ internationalization of technologists
  - ⇒ cooperation with internationally renowned research centers & universities
  - ⇒ venture capital and R&D partnerships
- Assuring intellectual property protection
- Cooperating in total quality management programs



## Shareholder value: ROIC - WACC



# Dividend 2002 - 2008



Vigorous sales growth record results and continuing high dividend

+ 59% : EPS before non-recurring : € 13.08 compared with €8.22

+ 58% : EBIT before non-recurring € 294 million

+ 38% : EBITDA of € 412 million

+ 23% : Consolidated sales of €2.66 billion

+ 17% : Combined sales of €4.0 billion

+ 16% : EPS €8.33 compared with €7.63

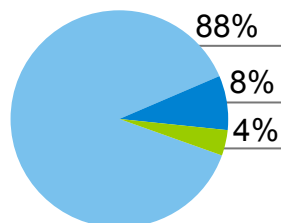
Dividend of € 2.80 per share, dividend yield of 5.8% based Dec 31



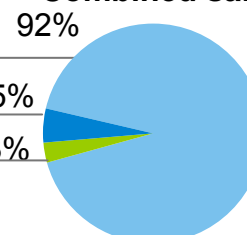
# Sales by business segment

2008	Consolidated sales		Combined sales	
	in millions of €	variance	in millions of €	variance
Advanced wire products	2 331	+26.4%	3 690	+19.2%
Advanced materials	199	-2.0%	199	-2.1%
Advanced coatings	121	-3.1%	120	-3.1%
Intersegment and others	11		1	
<b>Total</b>	<b>2 662</b>	<b>+22.5%</b>	<b>4 010</b>	<b>+17.3%</b>

Consolidated sales



Combined sales



- Advanced wire products showed vigorous growth in nearly all activity platforms:
  - Wire Europe showed growth in very difficult conditions mainly in Western Europe
  - Wire North and Latin America and Building products grew by around 20%
  - Steelcord others showed marginal sales growth
  - Asia showed exceptional growth both in wire and steelcord
- Advanced Materials sales were marginally down behind lower demand
- Advanced coating sales were slightly down as sales growth was cancelled out by exchange rate movements

# Sales by geographical area

	Consolidated sales		Combined sales	
	In mio €	variance	in mio €	variance
Europe	1 095	+4.2%	1 100	+4.0%
North America	559	+9.3%	589	+8.3%
Latin America	216	+204.0%	1 515	+21.4%
Asia	759	+50.2%	764	+47.8%
Other regions	33	-6.2%	42	-19.5%
<b>Total</b>	<b>2 662</b>	<b>+22.5%</b>	<b>4 010</b>	<b>+17.3%</b>



- Latin America and Asia now represent 57% of combined sales
- Growth in Europe driven by Eastern Europe
- North America strong growth partly offset by exchange rate movements (-7%)
- Emerging markets (Asia, Latam and Eastern Europe) represent over 70% of combined sales

# Address by B. Humblet, Chief Financial Officer

# Consolidated income statement : key figures

(In mio €)	2007	2008
Sales	2 174	2 662
Cost of sales	-1 740	-2 061
Gross profit	434	602
Gross profit margin	20.0%	22.6%

- Sales increased with 22.5% reflecting:
  - Passed-on wire rod price increases
  - Product innovation
  - Inclusion of Venezuela and Colombia
- Significant increase in gross margin due to positive product and geographical mix, combined with high plant occupation and operational excellence

# Consolidated income statement : key figures

(In mio €)	2007	2008
Gross profit	434	602
Selling expenses	-98	-122
Administration expenses	-97	-114
R&D expenses	-57	-69
Others	4	-4
Operating result (EBIT) before non-recurring items	186	294

- Selling and administration expenses at 9% of sales, in line with last year
- In absolute amount, selling and administration expenses increased, reflecting:
  - Inclusion of Venezuela and Colombia
  - Higher bad debt reserve mainly for China
  - Strengthening sales teams in emerging markets
- R&D expenses increased with 21% to support the innovation pipeline

# Consolidated income statement : key figures

(In mio €)	2007	2008
<b>Operating result before non-recurring items (REBIT)</b>	<b>186</b>	<b>294</b>
EBIT margin on sales before non-recurring items	8.6%	11.1%
<b>EBITDA</b>	<b>299</b>	<b>412</b>
EBITDA margin on sales	13.7%	15.5%

- REBIT increased with 58% versus 2007 resulting in a record level of 11.1% of sales
- Record EBITDA both in absolutes and as % of sales
- Higher margins are driven by more innovative products and geographical expansion in growth markets

# Consolidated income statement : key figures

(In mio €)	2007	2008
<b>Operating result (EBIT) before non-recurring items</b>	<b>186</b>	<b>294</b>
EBIT margin on sales before non-recurring items	8.6%	11.1%
Non-recurring items	-12	-84
<b>Operating result (EBIT)</b>	<b>175</b>	<b>210</b>
EBIT margin on sales	8.0%	7.9%

– Non-recurring items mainly reflect:

- Adjustment of the manufacturing footprint in Belgium
- Goodwill and assets impairment reflect the impact of the overall economic downturn on specific units, mainly in the advanced materials platform and for carding solutions
- Updated provision for environmental liabilities

– Record EBIT with an increase of 20% versus 2007

# Segment reporting: advanced wire products

(In mio €)	2007	2008
Consolidated sales	1 844	2 331
<b>Operating result before non-recurring items (REBIT)</b>	<b>215</b>	<b>352</b>
REBIT margin on sales	11.7%	15.1%
Operating result (EBIT)	208	290
Depreciation and amortization	106	158
<b>EBITDA</b>	<b>314</b>	<b>448</b>
EBITDA margin on sales	17.0%	19.2%

- REBIT increase of 64% reflecting:
  - Solid growth resulting in high plant occupation
  - Growth of innovative products with better margins
  - Emerging market growth with better economic climate
  - Pricing to recuperate materials price increases
- Depreciation increase includes € 25 million one-time items
- Record EBITDA



# Segment reporting: advanced materials

(In mio €)	2007	2008
Sales	204	199
<b>Operating result before non-recurring items (REBIT)</b>	<b>17</b>	<b>1</b>
REBIT margin on sales	8.5%	0.7%
Operating result (EBIT)	17	-17
Depreciation and amortization	8	35
<b>EBITDA</b>	<b>26</b>	<b>18</b>
EBITDA margin on sales	12.6%	9.2%

- Drop in REBIT reflects
  - Highly competitive market conditions resulting in low volumes at low pricing levels
  - Nickel-based raw material price fluctuations
- Increase in depreciation and amortization includes
  - Goodwill impairment on burner systems
  - Asset impairments in the stainless division
- EBITDA margin remains close to 10%

# Segment reporting: advanced coatings

(In mio €)	2007	2008
Sales	124	121
<b>Operating result before non-recurring items (REBIT)</b>	<b>3</b>	<b>4</b>
REBIT margin on sales	2.4%	3.2%
Operating result (EBIT)	-1	3
Depreciation and amortization	12	8
<b>EBITDA</b>	<b>11</b>	<b>11</b>
EBITDA margin on sales	9.0%	9.2%

- REBIT remains in line with last year in spite of the impact of the economic downturn in quarter 4
- Nominal growth in specialized film of 6% was canceled out by exchange rate movements

# Consolidated income statement : key figures

(In mio €)	2007	2008
Operating result (EBIT)	175	210
Interest income / expense	-32	-41
Other financial result	-8	-8
Result from continuing operations before taxes	134	161
Income taxes	-19	-26
Result from continuing operations (consolidated companies)	115	136

- Increase of interest expenses in line with higher debt level
- Effective tax rate of 15.8% (versus 14.3%) reflects benefit of tax holidays in emerging markets and the effect of notional interest deductibility in Belgium

# Consolidated income statement : key figures

(In mio €)	2007	2008
Result from consolidated companies	115	136
Share in the results of JV's and associates	47	56
<b>Result for the period</b>	<b>162</b>	<b>192</b>
Minority interests	9	18
<b>Attributable to the Group</b>	<b>153</b>	<b>174</b>

- The increase of the result in the joint ventures reflect the strong profitable growth in Latin America. This more than offsets the move of Venezuela and Colombia to the consolidated subsidiaries.
- Result for the group is up 14% in spite of high non-recurring charges

# Cash flow: key figures

(In mio €)	2007	2008
Gross cash from operations	265	411
Net cash from operations	221	222
<b>Cash from investment activities</b>	<b>-152</b>	<b>-243</b>
Cash from financing activities	-63	67

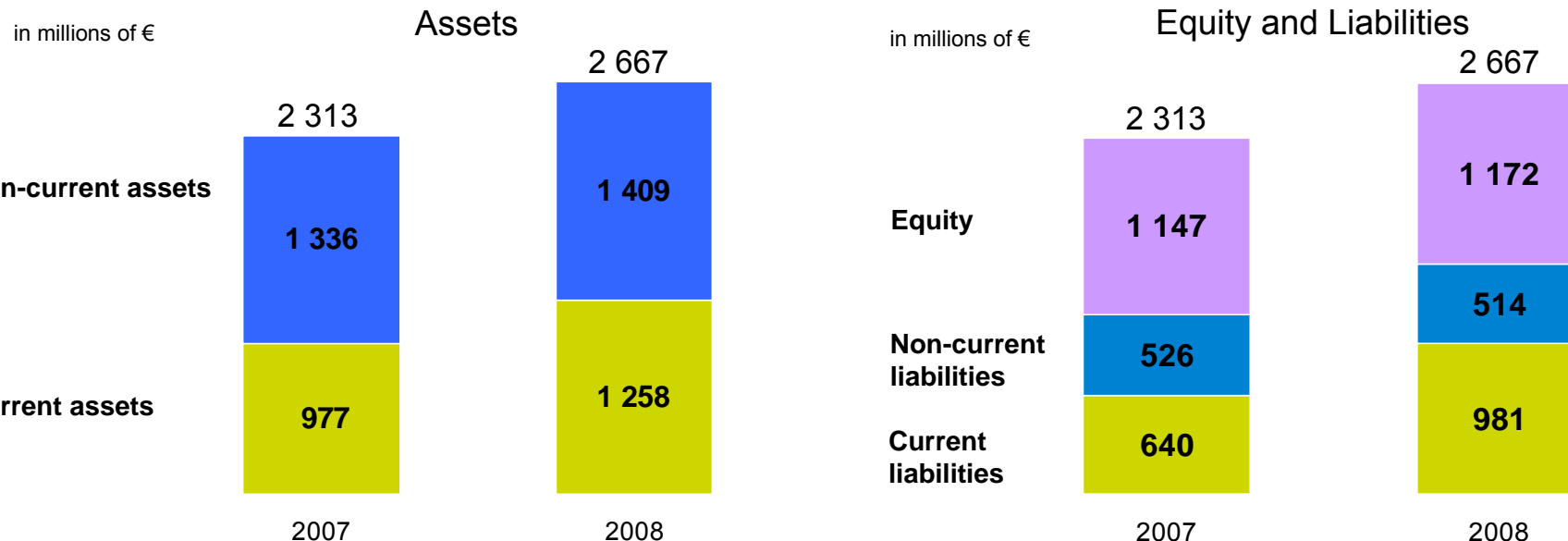
- Increase in gross cash reflects the strong profitable business growth
- Net cash in line with last year due to important increase in working capital
- Investment activities reflect significant capex spending mainly in the first half of 2008 and the acquisition of 50% of the activities in Turkey
- Higher cash from financing activities due to less share buy back

# Working capital: key figures

(In mio €)	2007	2008
Inventories	385	511
Accounts receivable	438	498
Accounts payable	-329	-356
Working capital	494	653

- Higher inventories due to
  - Inclusion of Venezuela and Colombia
  - Low demand in quarter 4
  - Higher raw material prices versus year end 2007
- Accounts receivable increase mainly reflects business growth

# Consolidated balance sheet: key figures



- Non-current asset increase mainly reflects high capex investments
- Current assets increased due to
  - Higher inventories and trade receivables
  - Higher cash levels to ensure liquidity over year end
- Equity increase from strong results is partly offset by lower valuation of pension funds and of assets for sale due to the hit in the global stock markets
- Liabilities increased as a result of the higher debt level and higher pension liabilities due to deterioration of the financial markets

# Balance sheet: key figures

(In mio €)	2007	2008
Net financial debt	448	627
Gearing (net debt to equity)	39.1%	53.5%

- Net debt increase due to
  - Working capital increase
  - Strong investment for organic growth mainly in China
  - Offset by good cash generation on the business
- Gearing about in line with long term target of 50%



# Ratios: key figures

	2007	2008
EBITDA on sales	13.7%	15.5%
EBIT margin on sales before non-recurring items	8.6%	11.1%
EBIT on sales	8.0%	7.9%
Sales on capital employed (asset rotation)	1.48	1.58
Return on capital employed	11.9%	12.5%
Return on equity	14.3%	16.5%
Debt on EBITDA	1.5	1.5

# Key figures per share

(in €)	2007	2008
Share price at 31 December	92.00	48.32
Number of existing shares at 31 December	19 831 000	19 783 625
Book value	57.82	59.26
Earnings per share	7.63	8.83
Adjusted earning per share	8.23	13.08
Weighted average number of shares	20 039 098	19 796 210
Cash flow attributable to the Group	13.82	19.06

- Book value per share negatively impacted by lower valuation of pension funds and assets for sale due to downturn of the global stock markets
- Earnings per share: +16%
- Adjusted earnings per share + 59%
- Cash flow attributable to the Group: +38%

Vigorous sales growth record results and continuing high dividend

+ 59% : EPS before non-recurring : € 13.08 compared with € 8.22

+ 58% : EBIT before non-recurring € 294 million

+ 38% : EBITDA of € 412 million

+ 23% : Consolidated sales of €2.66 billion

+ 17% : Combined sales of €4.0 billion

+ 16% : EPS €8.33 compared with €7.63

Dividend of € 2.80 per share, dividend yield of 5.8% based Dec 31

# Address by B. De Graeve, Chief Executive Officer

- Consolidated sales from January onwards will include the revenues of Ideal Alambrec (Ecuador) and Prodac (Peru), as the regional holding company covering the businesses in Ecuador, Peru, Venezuela and Colombia came into effect on 1 January 2009. Bekaert holds 80% of the shares in this holding company. Consequently, all respective entities will be included in the consolidated perimeter as of the start of 2009.
- Short-term visibility on market developments is extremely limited. However, Bekaert does not expect the current activity slowdown to last on a company-wide scale. The company's proven resilience now shows in its flexibility to optimally manage production capacity and capital spending in line with demand and to limit working capital and cost levels accordingly.
- Notwithstanding the economic circumstances, Bekaert is confident that its broad geographical coverage with a strong presence in emerging markets, as well as its growing portfolio of product innovations and strong balance sheet, will be of strategic importance. Bekaert will closely monitor market developments and customer requirements, so advantage can be taken of opportunities the moment they arise.

- **Financial calendar**
- **Contacts**

## Financial calendar

2008 annual report available on Internet	17 April	2009
First quarter trading update 2009	13 May	2009
General Meeting of Shareholders	13 May	2009
Dividend payable (coupon n°10)	20 May	2009
2009 half year results	31 July	2009
Third quarter trading update 2009	13 November	2009
Fourth quarter trading update 2009	26 February	2010
2009 results	26 February	2010

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

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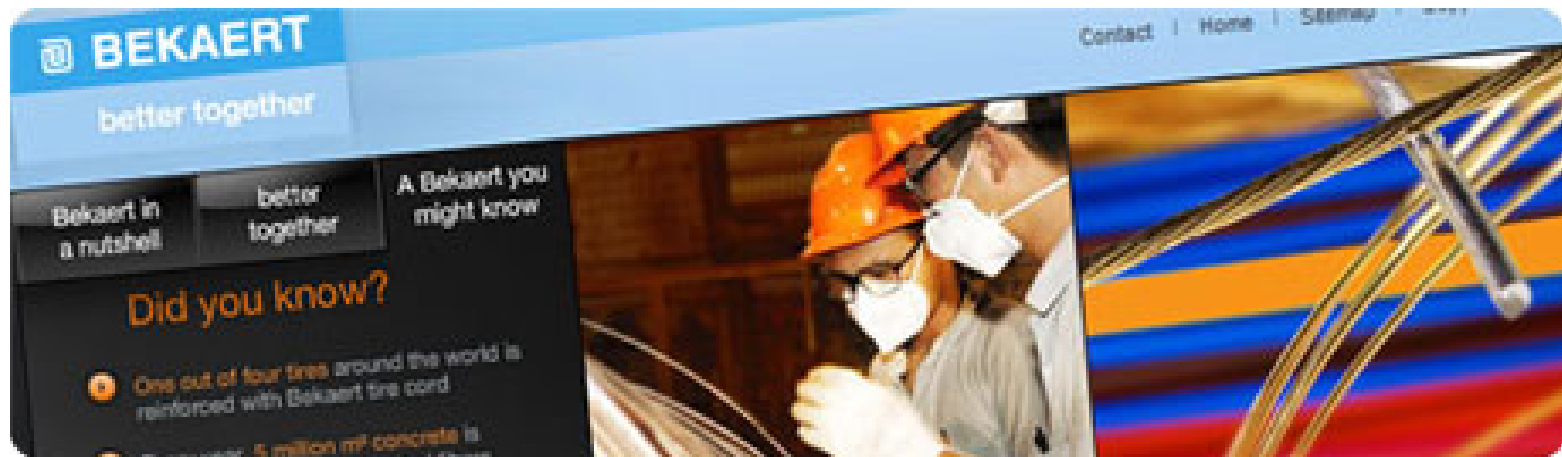
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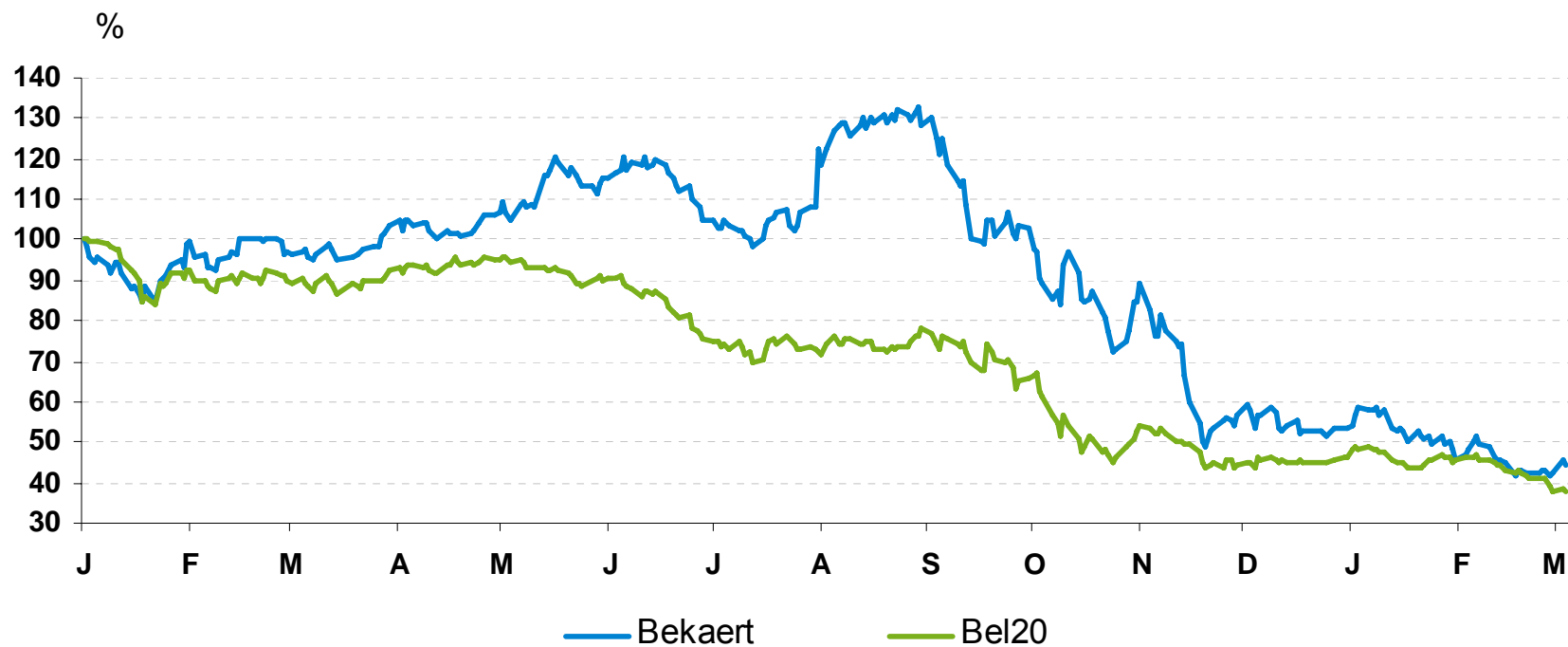
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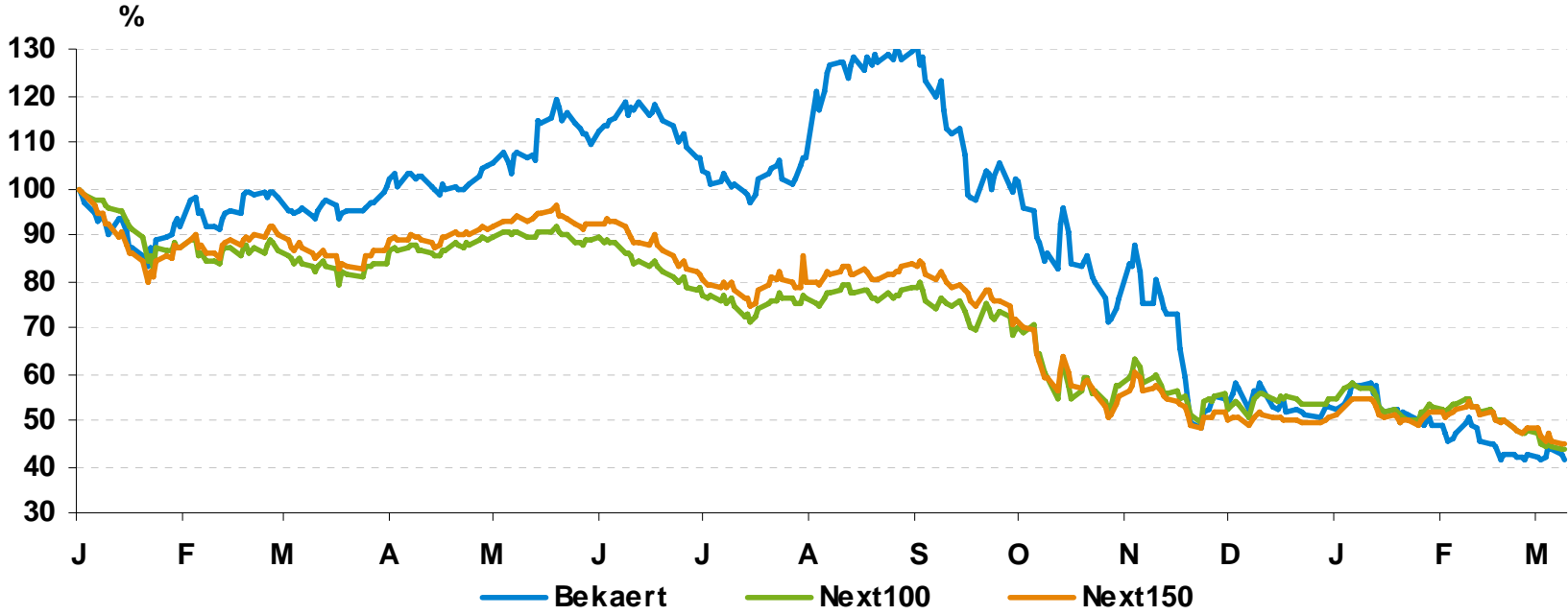
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# Annexes

# Bekaert share versus BEL20 (2008 – 2009)



# Bekaert share versus Next 100-150 (2008 – 2009)



# Bekaert share target price

