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Annual Results 2014

Matthew Taylor, CEO

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Matthew Taylor

Chief Executive Officer

Highlights

- Consolidated sales of € 3.2 billion (+0.9%) and combined sales of € 4.0 billion (-1.7%)
- Currency impact: € -72 million (-2.3%) on consolidated sales and € -144 million (-3.5%) on combined sales
- Gross profit of € 486 million (15.1% margin) compared with € 482 million (15.1%)
- REBIT of € 164 million (5.1% margin) compared with € 166 million (5.2%)
- Non-recurring items of € +7 million compared with € -29 million
- EBIT of € 171 million (5.3%) compared with € 137 million (4.3%)
- EBITDA of € 342 million (10.6%) compared with € 297 million (9.3%)
- EPS: € 1.51 compared with € 0.42

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Bekaert economic environment

Global industrial environment was mixed with lower growth in the emerging markets while Europe and North American markets remain resilient.

Overcapacity in the global steel market mainly due to the slowdown in China created competitive pressure in SEA and Latin America.

Low commodity prices, mainly copper, and low oil prices negatively impact the economies in Latin America.

Weaker euro helps to keep the volume momentum in EMEA.

Lower oil prices are expected to have a positive impact on the growth rate in oil dependent markets moving forward.

Bekaert economic environment

EMEA:

Strong demand in most end markets driven by German exports.

Automotive markets growth, both in OEM and aftermarket, fueled growth in tire cord and other steel wires.

North America:

Improved demand in automotive drove growth in tire cord demand.

Agricultural sector was weak after the very cold winter with no significant rebound in second half.

Imports from Asia and overcapacity in the local market continue to weigh on profitability.

Bekaert economic environment

Latin America:

Weak demand due to low commodity prices constraining public spending and political changes in some countries.

Price pressure from Asian imports.

Bottoming out of downward trend as of second half.

Weakening local currencies increased competitiveness and allowed for targeted price increases.

Market share remained stable or increased during the year.

Asia Pacific:

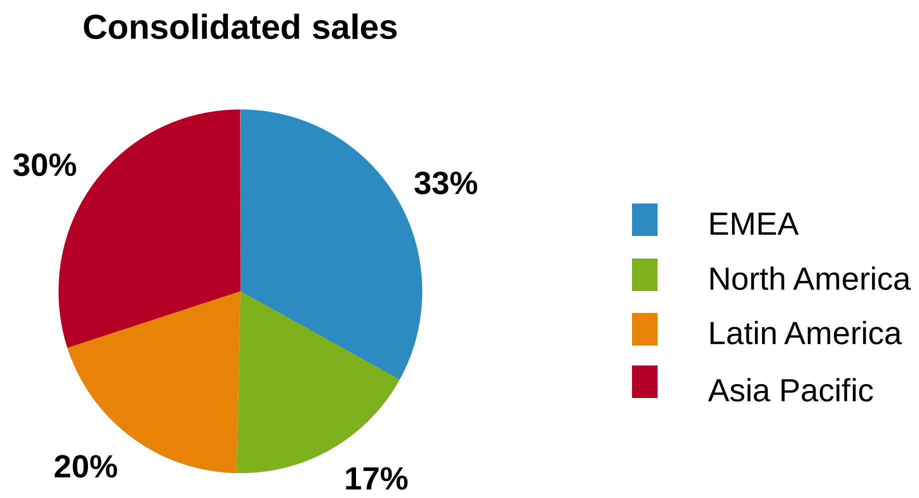
Slowdown of the industrial growth rate reduced capacity utilization and resulted in price erosion.

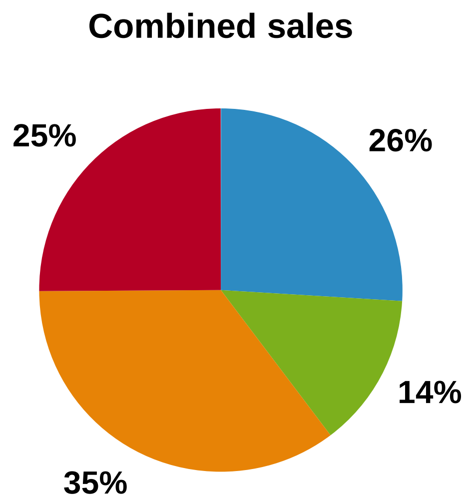
Increased competitive pressure for industrial wires in SEA and tire cord in China.

Weak final quarter reflecting corrective actions taking place in the market due to slowdown of growth rate.

Sales by segment

2014	Consolidated sales		Combined sales	
	In mio €	Variance	in mio €	variance
EMEA	1 064	+2%	1 049	+2%
North America	555	+1%	555	+1%
Latin America	631	-2%	1 422	-7%
Asia Pacific	966	+1%	1 014	+1%
Total	**3 216**	**+1%**	**4 040**	**-2%**

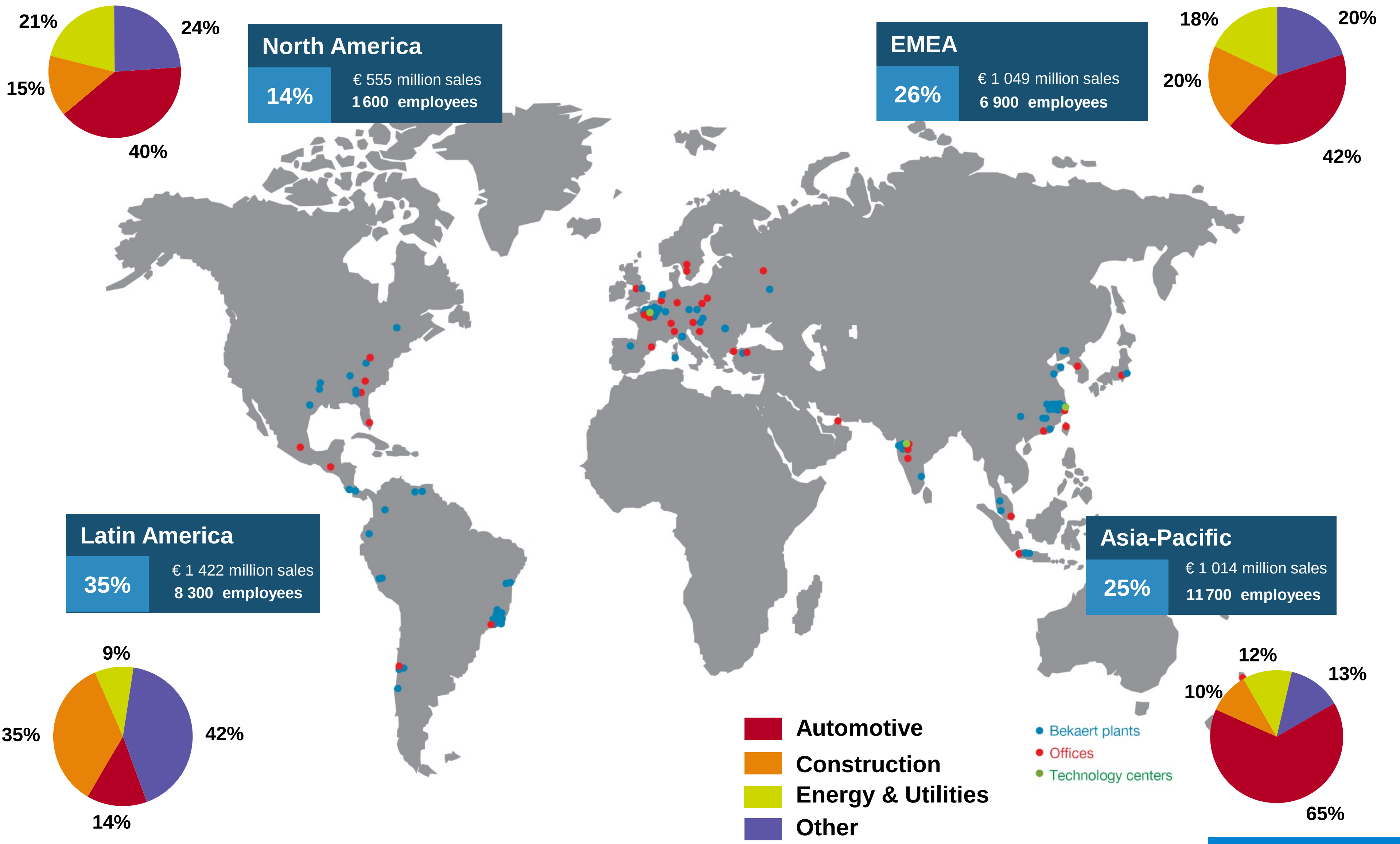




Impact of currency

Consolidated sales (in millions of €)				
	2013	**2014**	**FX full year**	**FX Q4**
EMEA	1 040	1 064	-9	-2
North America	548	555	-5	+11
Latin America	645	631	-47	-1
Asia Pacific	953	966	-11	+17
TOTAL	3 186	3 216	-72	+25
Combined sales (in millions of €)				
Latin America	1 534	1 422	-118	-4
TOTAL	4 111	4 040	-144	+24

Combined sales per region and per sector



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Bruno Humblet

Chief Financial Officer

Consolidated income statement: key figures

(In mio €)	2013	2014
Sales	3 186	3 216
Cost of sales	(2 703)	(2 730)
Gross profit	**482**	**486**
Gross profit margin	15.1%	15.1%

- Sales increase of 1% reflects a volume increase of 3% partly offset by negative 2% from exchange rate movements.
- Gross margin remains stable as the negative impact of price erosions - mainly in tire cord China - and cost inflation have fully been offset due to the higher volume and by cost savings.

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Consolidated income statement: key figures

(In mio €)	2013	2014
Gross profit	**482**	**486**
Selling expenses	(128)	(138)
Administrative expenses	(125)	(127)
R&D expenses	(62)	(59)
Others	(1)	3
Operating result before non-recurring items (REBIT)	**166**	**164**

- SG&A increases from 9.9% to 10.1% of sales.
- Selling expenses increase due to:
  - € 10 million reversal of bad debt in 2013
  - € 5 million increase mainly in Latam reflecting distributor margins and additional distribution branches in Chile and building products
  - € 5 million positive impact from exchange rate movements
- Administrative expense increase reflects cost related to M&A activities.

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Consolidated income statement: key figures

(In mio €)	2013	2014
Operating result before non-recurring items (REBIT)	**166**	**164**
REBIT margin on sales	5.2%	5.1%
Non-recurring items	(29)	7
Operating result (EBIT)	**137**	**171**
EBIT margin on sales	4.3%	5.3%
EBITDA	**297**	**342**
EBITDA margin on sales	9.3%	10.6%

- Rebit margin reduced from 6.3% in H1 to 3.9% in H2 reflecting seasonality in Europe and US and the drop in profitability in Asia in Q4.
- Non-recurring reflects positive impacts of: i) sale of land, ii) negative goodwill on acquisitions and iii) reversal of environmental provisions partly offset by i) impairments in Asia and Russia and ii) pension related provision.

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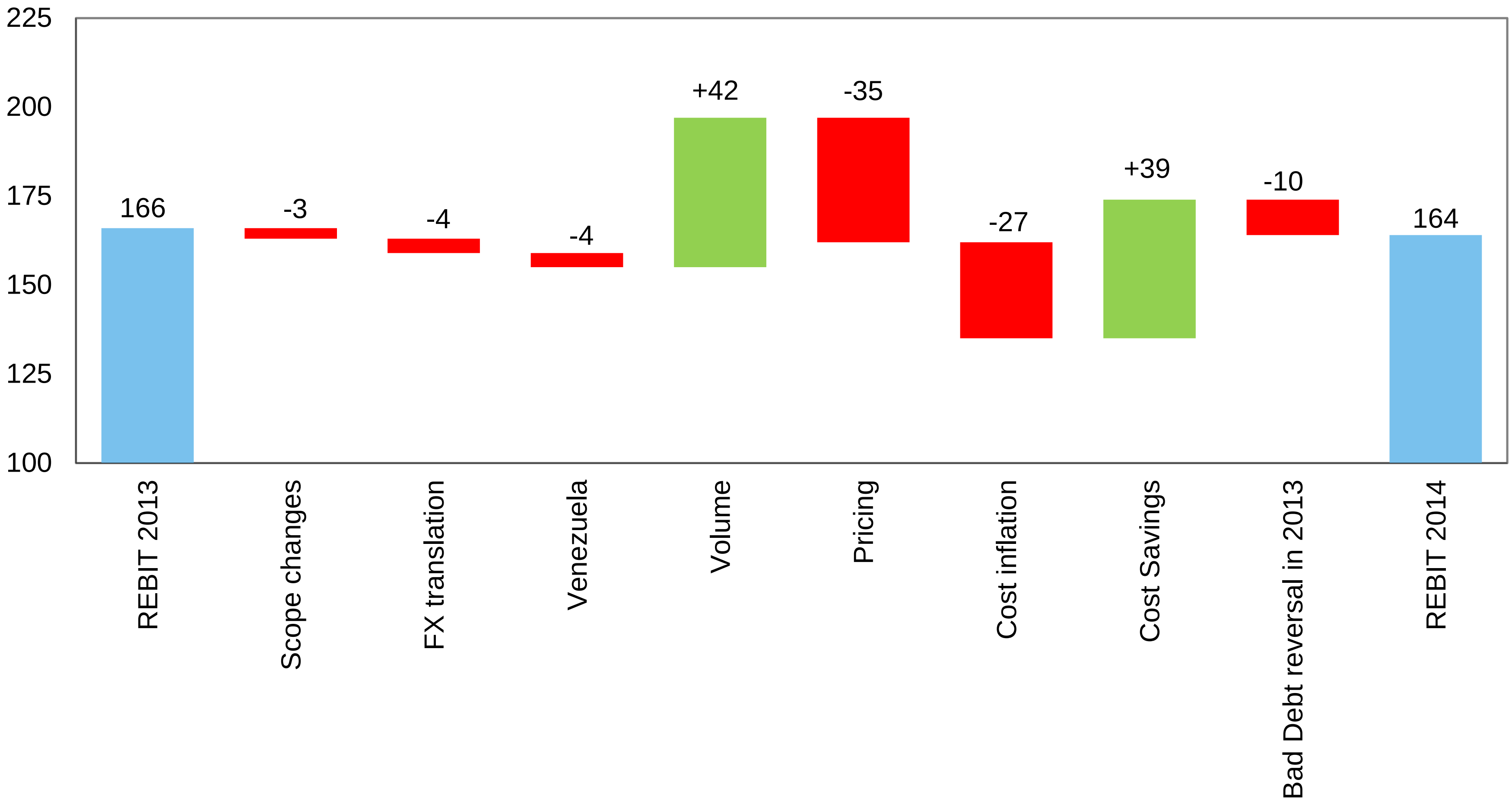
Rebit evolution

in mio €



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Segment reporting: EMEA

(In mio €)	2013	2014	1H2014	2H2014
Consolidated sales	1 040	1 064	555	509
Operating result before non-recurring items (REBIT)	**88**	**114**	**64**	**51**
REBIT margin on sales	8.5%	10.8%	11.5%	10.0%
Non-recurring items	(3)	2	7	(5)
Operating result (EBIT)	85	116	70	46
Depreciation, amortization and impairment losses	48	49	22	27
EBITDA	**133**	**165**	**93**	**72**
EBITDA margin on sales	12.8%	15.5%	16.7%	14.2%

- Flat sales in H2; the final quarter was slightly below last year.
- Profitability remains strong reflecting a good product mix and overall high capacity utilization.
- Non recurring reflect the gain on sale of land, impairment in Russia and pension related adjustments.

Segment reporting: North America

(In mio €)	2013	2014	1H2014	2H2014
Consolidated sales	548	555	281	274
Operating result before non-recurring items (REBIT)	**19**	**20**	**14**	**6**
REBIT margin on sales	3.4%	3.6%	5.1%	2.1%
Non-recurring items	(11)	8	1	7
Operating result (EBIT)	8	28	15	13
Depreciation, amortization and impairment losses	14	10	5	5
EBITDA	**22**	**38**	**20**	**17**
EBITDA margin on sales	4.0%	6.8%	7.2%	6.4%

- Sales in H2 similar to H1 but this reflects 9% lower volume due to seasonality offset by exchange rate movements.
- Lower margin in H2 due to lower volumes.
- Non-recurring reflects the insurance revenue related to the Rome fire for € 5 million.

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Segment reporting: Latin America

(In mio €)	2013	2014	1H2014	2H2014
Consolidated sales	645	631	295	336
Operating result before non-recurring items (REBIT)	**44**	**26**	**11**	**15**
REBIT margin on sales	6.8%	4.1%	3.9%	4.4%
Non-recurring items	(0)	8	10	(2)
Operating result (EBIT)	44	34	21	13
Depreciation, amortization and impairment losses	20	6	(3)	9
EBITDA	**64**	**40**	**18**	**22**
EBITDA margin on sales	9.9%	6.3%	6.2%	6.4%

- H2 sales was up 15% versus same period last year while H1 was down 16%.
- Total year volumes were in line with last year excluding the impact of acquisitions and Venezuela which saw a significant drop due to lack of wire rod.
- Margins slightly improved but are still depressed due to competitive pressure from imported products from Asia and low demand due to overall economic slowdown related to low prices for oil, copper and other commodities.

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Segment reporting: Asia Pacific

(In mio €)	2013	2014	1H2014	2H2014
Consolidated sales	953	966	478	488
Operating result before non-recurring items (REBIT)	**77**	**63**	**43**	**20**
REBIT margin on sales	8.1%	6.5%	8.9%	4.2%
Non-recurring items	(4)	(9)	(4)	(6)
Operating result (EBIT)	73	54	39	15
Depreciation, amortization and impairment losses	80	106	49	57
EBITDA	**153**	**159**	**88**	**71**
EBITDA margin on sales	16.1%	16.5%	18.4%	14.6%

- Sales in H2 positively impacted by exchange rate movements while volume and pricing were below H1.
- Lower margin reflects the weak tire cord business in quarter 4 and the losses in wire in SEA.
- Non-recurring are due to asset impairments on activities in SEA.

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Consolidated income statement: key figures

(In mio €)	2013	2014
Operating result (EBIT)	**137**	**171**
Interest income / expense	(64)	(63)
Other financial income and expenses	(20)	(4)
Result before taxes	54	105
Income taxes	(48)	(42)
Result after taxes (consolidated companies)	**6**	**62**

- Interest expenses remained stable as the average higher gross debt was financed at lower interest costs.
- Lower other financial expenses related to a weaker Euro which created a gain; this effect was more than offset by a reserve to cover for potential exchange issues in Venezuela.
- Tax expenses include an increase in the global tax reserves reflecting the increasingly challenging tax environment.

Consolidated income statement: key figures

(In mio €)	**2013**	**2014**
Result after taxes (consolidated companies)	6	62
Share in the results of JV’s and associates	30	25
Result for the period	**36**	**88**
Attributable to non-controlling interests	11	0
Attributable to the Group	**25**	**87**

- The share in the results of Joint Ventures reflects a more difficult economic environment in Brazil.
- Results attributable to the minorities decreased to zero due to the losses and impairments in SEA and the reserves set up to cover for potential issues in Venezuela.

Cash flow: key figures

(In mio €)	2013	2014
Gross cash flows from operations	234	261
Cash flows from operations	306	187
Cash flows from investment activities	(72)	(225)
Cash flows from financing activities	(192)	88

- Cash from operations well below 2013 as working capital increased in 2014 while it showed a decrease in 2013.
- Investment activities include the acquisition of 3 of the 5 plants of Pirelli Steel Cord.

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Working capital: key figures

(In mio €)	2013	2014
Inventories	539	641
Accounts receivable	716	847
Accounts payable	(462)	(513)
Working capital	793	975

- Working capital increase reflects:
  - Inclusion of 3 Pirelli steel cord plants for € 55 million.
  - Exchange rate impact of € 61 million.
  - Organic increase of € 66 million.
- Average working capital as % of sales remained stable at 27%.

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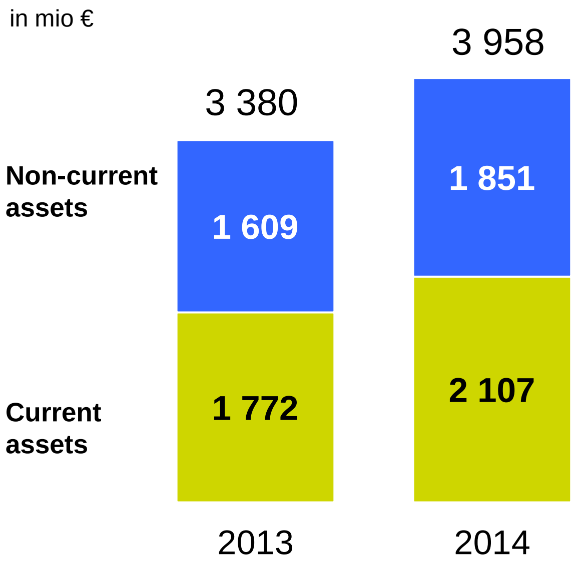
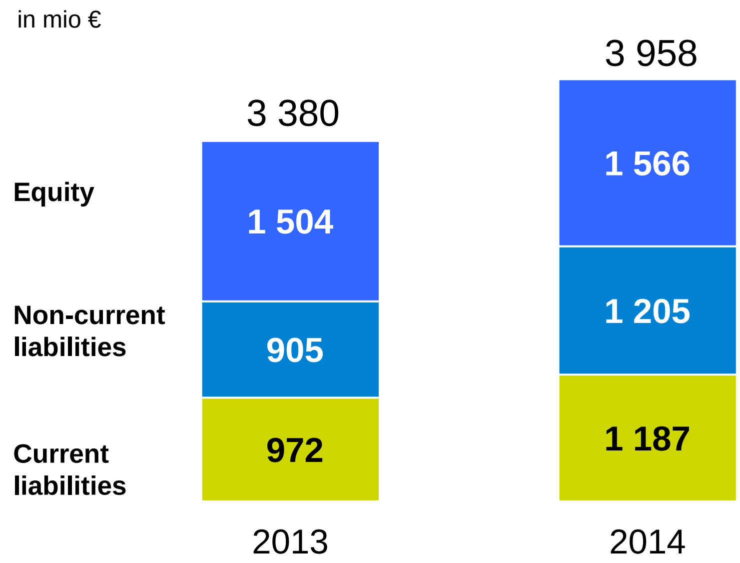
Consolidated balance sheet: key figures

Assets



Equity and Liabilities



- Increase in non-current assets reflects Pirelli tire cord acquisition.
- Current assets increase reflecting the proceeds of the convertible bond and the increase in working capital.
- Non-current liabilities increase due to the issuance of the convertible bond.

Balance sheet: key figures

(In mio €)	2013	2014
Net financial debt	574	853
Gearing (net debt to equity)	38.2%	54.5%
Net debt on EBITDA	1.9	2.5
Net debt on REBITDA	1.8	2.6

- Net debt increase reflects € 207 million related to part of the Pirelli acquisition and the share buy back to cover potential dilution of the convertible bond.
- Net debt / EBITDA was 1.9X excluding the above.

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Ratios: key figures

	2013	2014
EBITDA margin on sales	9.3%	10.6%
REBIT margin on sales	5.2%	5.1%
EBIT margin on sales	4.3%	5.3%
Sales on capital employed (asset rotation)	1.4	1.4
Return on capital employed (ROCE)	6.1%	7.7%
Return on equity (ROE)	2.3%	5.7%

Key figures per share

(in €)	2013	2014
Share price at 31 December	25.72	26.35
Number of existing shares at 31 December	60 063 871	60 111 405
Book value	22.41	22.74
Earnings per share (EPS)	0.42	1.51
Weighted average number of shares	58 519 782	57 599 873
Number of treasury shares	1 652 677	4 275 010

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Matthew Taylor

Chief Executive Officer

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Outlook

We expect the low running rate of the fourth quarter of 2014, driven particularly by a downturn in Asia, to continue in the first quarter of 2015. However, we do expect a positive impact of currency movements as of the first quarter and we anticipate improved demand in the balance of the year.

Given the economic environment and the company's current performance, Bekaert is undertaking a set of actions to drive value creation over time. In addition, the recently acquired tire cord and ropes businesses will be important contributors to our strategy of improving our product portfolio and financial performance.

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‘Field of Play’

Consistent with our better together aspiration,

we relentlessly pursue to be the preferred supplier for our steel wire products and solutions,

by continuously delivering superior value to our customers around the world.

5 Core Strategies

1. Drive customer into the heart of the business

2. Value driven growth

3. Technology leadership and speed

4. Leverage our scale to greater effect – reduce complexity

5. Lowest total cost

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How to deliver?

Short Term

- Growth and margin enhancement through exploitation of recent investments and M&A activities
- Ongoing cost focus to offset pricing deterioration, including structural changes to reduce S,G & A versus planned levels

Medium/Long Term

- Delivery of the 5 core strategies
- Organization
- Manufacturing Excellence
- Complexity reduction/prioritization
- Portfolio optimization
- Footprint optimization
- Confirming an operating profit target of 7% over a 3 year horizon

Pirelli steel cord acquisition

150 KT tire cord - 2127 employees - € 300 million sales

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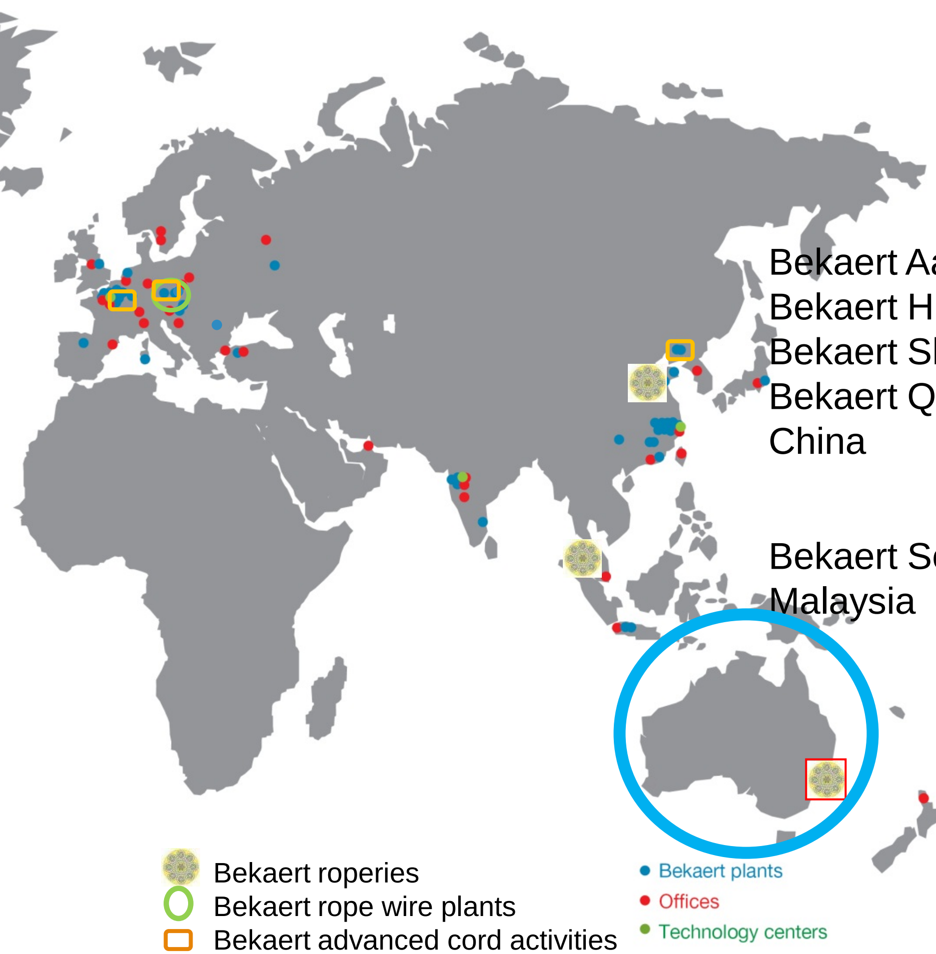
Bekaert Global Ropes Platform: Ropes acquisition Australia

WRI Canada
Belton Texas US
Brivensa Venezuela
Procables Peru
Prodinsa Chile
CIMAF Brasil



Bekaert Aalter
Bekaert Hlohovec
Bekaert Shenyang
Bekaert Qingdao
China

Bekaert Southern Wire
Malaysia

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Arrium's Ropes activities

The acquired Ropes business is the leading supplier of wire rope products in Australia and a significant participant in the global mining rope market segment

- Established, well-invested business
- Approx. 100 employees, based in Newcastle, NSW Australia
- 90 years of experience in rope making
- Highly experienced team
- Stable customer base
- The only rope manufacturing plant in Australia
- Strong brand recognition and reputation

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Bekaert Ropes Platform

- Global platform – 50 years ropes manufacturing history – € 250 million sales
- Growth in wire ropes is a key priority at Bekaert
- Including the wire ropes business of Moly-Cop, Bekaert becomes the leading mining ropes producer in the world
- Excellent processing technology
- Global support by the Bekaert Technology Center and Bekaert Engineering
- Field Engineering Experience
- External collaboration with Ifremer, France - Stuttgart University (IFT), Germany - Taiyuan Mining University, China – etc.

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Bekaert Carding Solutions divestment

- Bekaert Carding Solutions and Groz-Beckert have signed an agreement on the sale of Bekaert's Carding Solutions activities
- The transaction is consistent with Bekaert's focus on steel wire transformation and coatings. Bekaert (NV Bekaert SA and BJWP China) will continue to deliver half product, as is foreseen in the long-term supply agreement.
- The transaction covers the carding production facilities in Belgium, India, China and the US and the global sales and services network.
- 350 employees, € 26 million impact on consolidated sales


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2014