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Annual Results 2013

B. De Graeve, CEO

B. Humblet, CFO

Brussels, 28 February 2014

Address by B. De Graeve,
Chief Executive Officer

Highlights

- Consolidated sales of € 3.2 billion (-7.9%) and combined sales of € 4.1 billion (-6.3%).
- Currency impact of € -192 million on consolidated sales and € -320 million on combined sales.
- Gross profit of € 482 million (15.1% margin) compared with € 479 million (13.8%) in 2012.
- REBIT of € 166 million (5.2% margin) compared with € 117 million (3.4%).
- Non-recurring items of € -29 million compared with € -167 million.
- EBIT of € 137 million compared with € -50 million.
- EBITDA of € 297 million (9.3%) compared with € 274 million (7.9%).
- EPS: € 0.42 compared with € -3.33.
- Dividend proposal of € 0.85 per share.

Highlights (2)

- Volume increase reflecting integration of Southern Wire and higher volumes in a very competitive global market.
- Sales reduction of 7.9% in spite of volume growth.
- Organic sales decrease of 3.3% mainly reflects lower wire rod prices.
- Exchange rate movements (excluding Venezuela) have a negative impact of 2.4%.
- Economic exchange rate for Venezuela reduces sales with € 110 million or 3.2%.
- Indirect cost reduction program on track to reach € 100 million in 2014.
- Global competitive market conditions and integration of acquisitions in Asia weigh on profitability.
- Important reduction of working capital.
- Significant net debt reduction below 2x EBITDA.

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Bekaert economic environment

EMEA:

Solid demand in automotive and construction in the second half year drove overall good results.

Important cost reductions and a highly innovative product portfolio support the investment for future growth.

North America:

Low domestic industrial demand and delayed investments in energy and construction markets resulted in weak volumes.

Continued imports from Asia and related price pressure impacted profitability.

Following a structural downward trend in the steel wire market in the Northwest of North America, Bekaert decided to cease its activities in Surrey, Canada.

Investment program launched to optimize cost base, focus on higher value added markets and serve new market opportunities.

Bekaert economic environment

Latin America:

Declining growth rate in 2013 due to lower activity in the mining sector impacted several countries such as Chile and Peru.

Continued strong market share position.
Negative impact from exchange rate movements.

Major impact of Venezuela as outlined before.

Strong business growth in Brazil.

Asia Pacific:

Significant volume growth reflecting increased demand in Chinese tire sector and growth generated by a further broadened product portfolio in other markets.

Competitive market environment with constant price pressure.

A reduction of trade receivables and higher quality of bank notes.

Integration of recently acquired entities is ongoing but continues to weigh on profitability.

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Sales

- Organic sales reduction reflects lower wire rod prices and lower mix, offsetting the 1% volume growth.
- Major translation exchange rate impact on both consolidated and combined sales.
- Strong volume growth in Brazil offsetting the negative price/mix effect.

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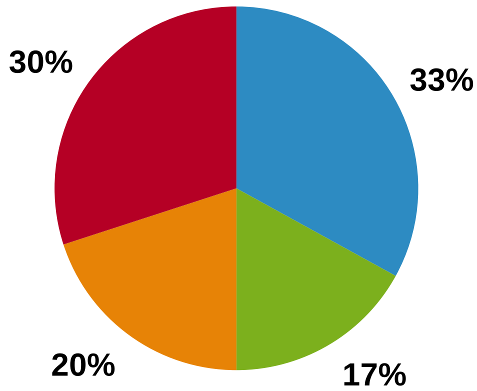
Sales by segment

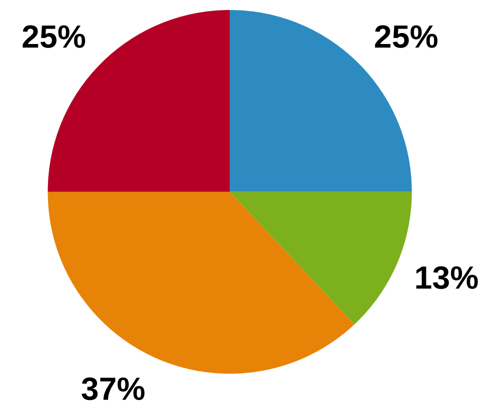
2013	Consolidated sales		Combined sales	
	In mio €	Variance	in mio €	variance
EMEA	1 040	-	1 028	-1%
North America	548	-17%	548	-17%
Latin America	645	-21%	1 534	-9%
Asia Pacific	953	+1%	1 001	-
Total	**3 186**	**-8%**	**4 111**	**-6%**

Consolidated sales



EMEA
North America
Latin America
Asia Pacific

Combined sales



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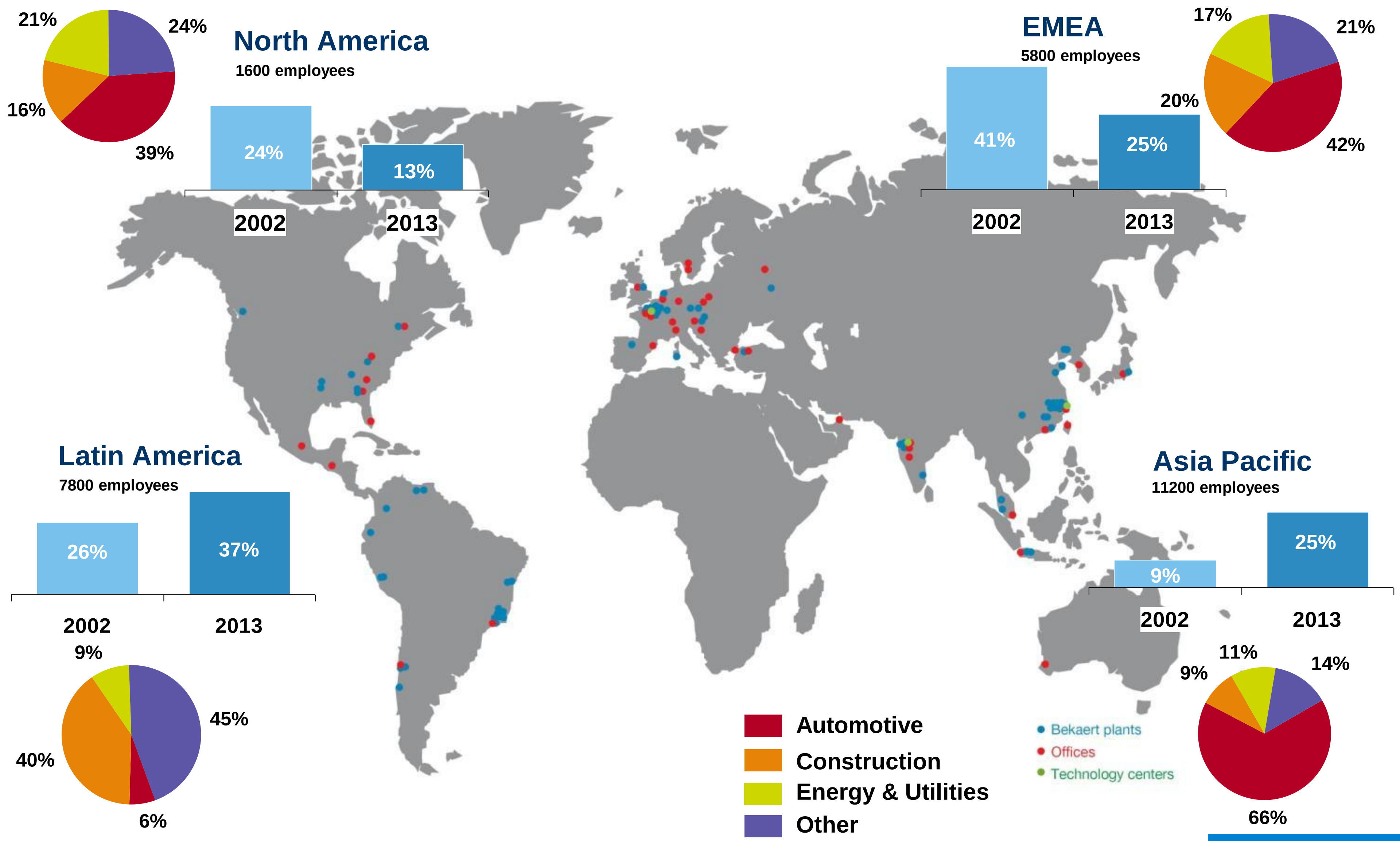
Combined sales per region and per sector



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Address by B. Humblet, Chief Financial Officer

Consolidated income statement : key figures

(In mio €)	2012	2013
Sales	3 461	3 186
Cost of sales (*)	-2 982	-2 703
Gross profit (*)	**479**	**482**
Gross profit margin (*)	13.8%	15.1%

- Sales decrease of 7.9% reflects:
  - Organic decline of -3.3% related to wire rod price reduction and price/mix, more than offsetting the 1% volume increase
  - Exchange rate movement -2.4%
  - Impact of Venezuela -3.2%
  - Positive impact from M&A activities 1%
- Gross margin increased reflecting the impact of the cost reduction program.

(*) 2012: restated in accordance with IAS19 (revised)

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Consolidated income statement : key figures

(In mio €)	2012	2013
Gross profit (*)	**479**	**482**
Selling expenses	-158	-128
Administrative expenses (*)	-135	-125
R&D expenses	-69	-62
Others	1	-1
Operating result before non-recurring items (REBIT) (*)	**117**	**166**

- SG&A decrease from 10.5% to 9.9% of sales.
- Reduction in selling mainly reflect change in bad debt provision.
- Lower Administrative and R&D expenses due to the impact of the cost reduction program.

(*) 2012: restated in accordance with IAS19 (revised)

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Consolidated income statement : key figures

(In mio €)	2012	2013
Operating result before non-recurring items (REBIT) (*)	**117**	**166**
REBIT margin on sales (*)	3.4%	5.2%
Non-recurring items	-167	-29
Operating result (EBIT) (*)	**-50**	**137**
EBIT margin on sales (*)	-1.4%	4.3%
EBITDA (*)	**274**	**297**
EBITDA margin on sales (*)	7.9%	9.3%

- REBIT above 5% in spite of the very competitive market situation globally and integration of newly acquired businesses.
- Non-recurring items reflect closure of the plant in Canada, increased reserves for potential environmental liabilities and impairments in stainless steel activities in India.

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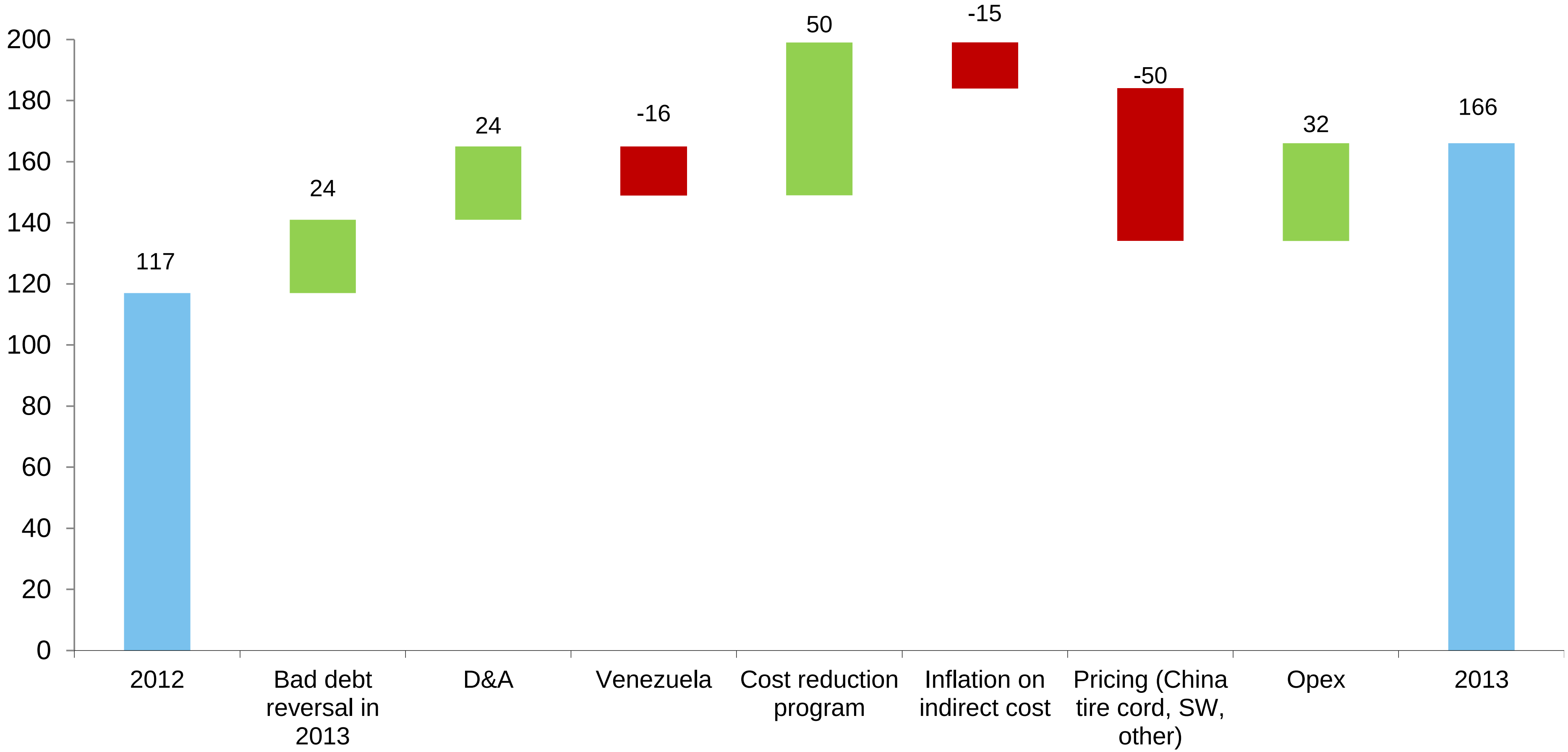
Rebit evolution



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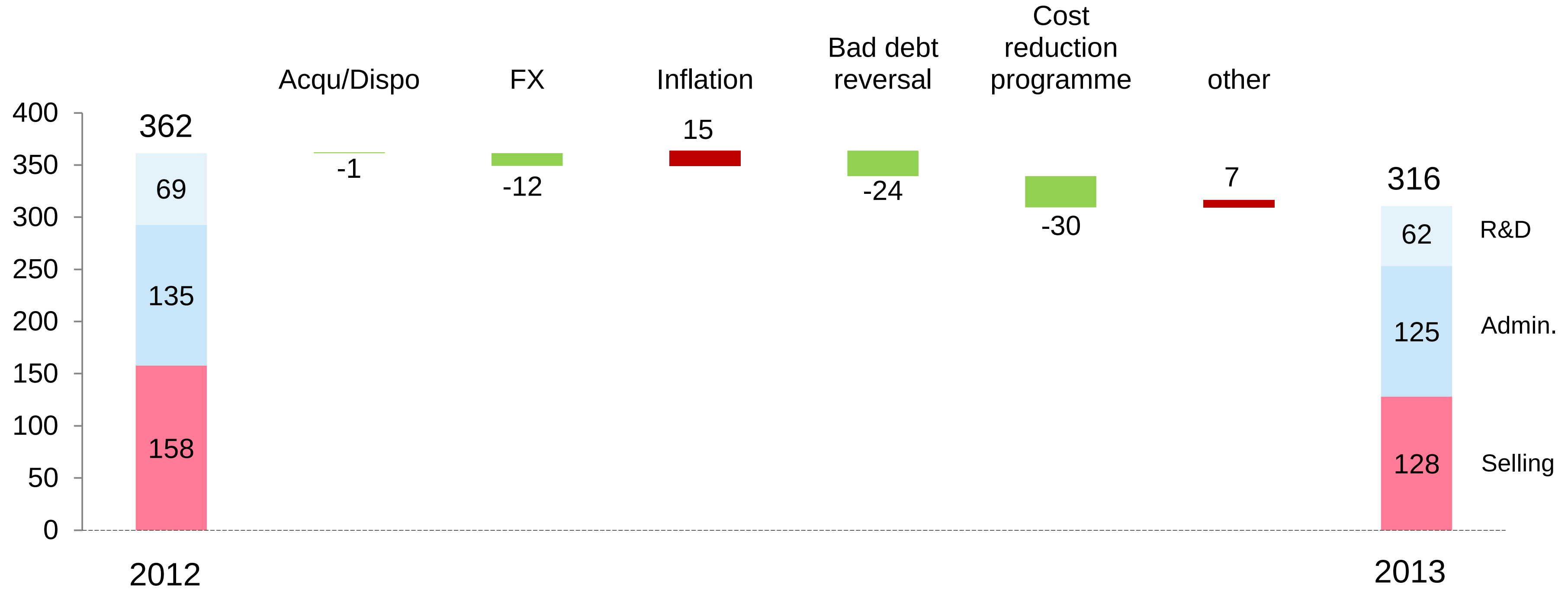
SG&A Evolution



- Total SG&A (including R&D) reduces from 10.4% to 9.9% of sales.
- Inflation offset by FX impacts.
- Lower selling costs due to reversal of bad debt provision for sawing wire.
- Positive impact of cost reduction program : € 20m in Cost of Sales and € 30m in SG&A.

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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**

Headcount impact	Reference 2011	End 2013	Difference
Mgmt & WC	6410	4990	1420

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

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Segment reporting: EMEA

(In mio €)	2012	2013	1H2013	2H2013
Consolidated sales	1 044	1 040	532	508
Operating result before non-recurring items (REBIT)	**63**	**88**	**46**	**42**
REBIT margin on sales	6.1%	8.5%	8.7%	8.3%
Non-recurring items	-75	-3	-1	-2
Operating result (EBIT)	-11	85	45	40
Depreciation, amortization and impairment losses	79	48	23	25
EBITDA	**68**	**133**	**68**	**65**
EBITDA margin on sales	6.5%	12.8%	12.8%	12.8%

- Stable sales reflects solid demand in automotive and construction as of H2.
- 40% REBIT increase due to significant cost savings.
- Strong cash generation driving ROCE for the segment to 15%.

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Segment reporting: North America

(In mio €)	2012	2013	1H2013	2H2013
Consolidated sales	659	548	295	253
Operating result before non-recurring items (REBIT)	**30**	**19**	**13**	**6**
REBIT margin on sales	4.5%	3.5%	4.3%	2.4%
Non-recurring items	-14	-11	-0	-11
Operating result (EBIT)	16	8	12	-4
Depreciation, amortization and impairment losses	23	14	6	8
EBITDA	**39**	**22**	**18**	**4**
EBITDA margin on sales	5.9%	4.0%	6.2%	1.6%

- Sales decline of 13% fully related to lower volume.
- Profit impact of volume drop only partly offset by cost savings program.
- Non-recurring items mainly reflect the announced restructuring in Canada.

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Segment reporting: Latin America

(In mio €)	**2012**	**2013**	**1H2013**	**2H2013**
Consolidated sales	812	645	352	293
Operating result before non-recurring items (REBIT)	**64**	**44**	**28**	**16**
REBIT margin on sales	7.8%	6.8%	7.9%	5.5%
Non-recurring items	16	-	-	-
Operating result (EBIT)	79	44	28	16
Depreciation, amortization and impairment losses	21	20	11	9
EBITDA	**100**	**64**	**39**	**25**
EBITDA margin on sales	12.4%	9.9%	11.1%	8.5%

- Sales decrease of 21% reflects:
  - organic decline of 3%; the 5% volume increase was more than offset by an average sales price reduction of 8% due to lower steel prices and product mix;
  - applying the economic exchange rate in Venezuela impacted sales by -14%;
  - other exchange rate movements -4%.
- Lower profitability reflects country mix and product mix effects.

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Segment reporting: Asia Pacific

(In mio €)	2012	2013	1H2013	2H2013
Consolidated sales	945	953	470	483
Operating result before non-recurring items (REBIT)	**37**	**77**	**39**	**38**
REBIT margin on sales	3.9%	8.1%	8.4%	7.9%
Non-recurring items	-70	-4	-	-4
Operating result (EBIT)	-33	73	39	34
Depreciation, amortization and impairment losses	205	80	44	36
EBITDA	**172**	**153**	**84**	**69**
EBITDA margin on sales	18.2%	16.1%	17.8%	14.3%

- Sales increase of 1% due to:
  - organic volume increase of 8% fully offset by price decreases;
  - inclusion of Southern Wire +4%;
  - negative impact of exchange rate movements -3%.
- Profitability doubled reflecting the restructuring program while newly acquired entities still weigh on profitability.

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Consolidated income statement : key figures

(In mio €)	2012	2013
Operating result (EBIT) (*)	**-50**	**137**
Interest income / expense (*)	-80	-64
Other financial income and expenses	-3	-20
Result before taxes (*)	-133	54
Income taxes	-68	-48
Result after taxes (consolidated companies) (*)	**-201**	**6**

- Lower interest cost reflects lower average debt levels.
- Major hit on other financial expenses due to exchange rate movements during the year.
- Tax rate remains very high as profits are taxable in the country where they are generated while losses in other countries do not create an offset.

(*) 2012: restated in accordance with IAS19 (revised)

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Consolidated income statement : key figures

(In mio €)	2012	2013
Result after taxes (consolidated companies) (*)	-201	6
Share in the results of JV's and associates	10	30
Result for the period (*)	**-191**	**36**
Attributable to non-controlling interests	6	11
Attributable to the Group (*)	**-197**	**25**

- Very strong business performance in Brazil due to solid volume growth and impact of the cost reduction program.
- Result for the Group impacted by high financing cost for the gross debt and high taxes.

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Cash flow: key figures

(In mio €)	2012	2013
Gross cash flows from operations	205	234
Cash flows from operations	439	306
Cash flows from investment activities	-81	-72
Cash flows from financing activities	-272	-192

- Cash from operations reflects solid cash generation in the business combined with a further reduction of working capital.
- Low capital expenditure mainly in the first half year.

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Working capital: key figures

(In mio €)	2012	2013
Inventories	568	539
Accounts receivable	774	716
Accounts payable	-443	-462
Working capital	898	793

- Further reduction of working capital with € 105 million.
- Significant reduction of accounts receivables with specific focus on China in a very competitive environment.

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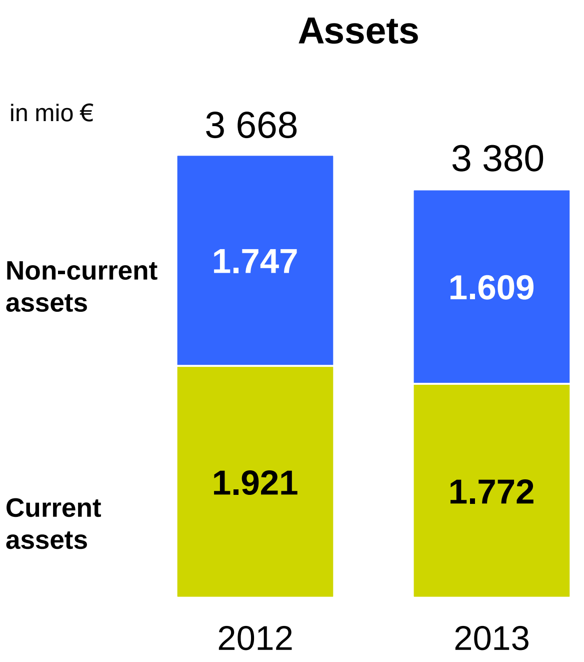
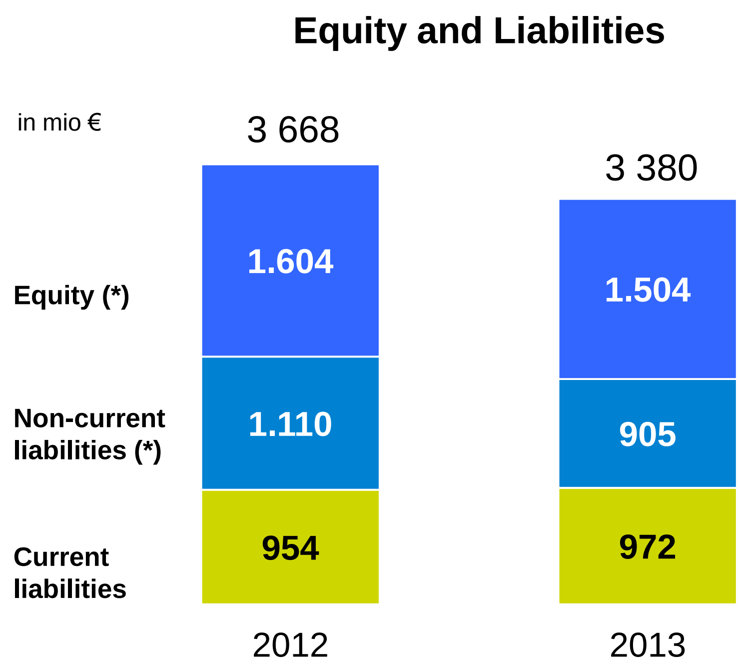
Consolidated balance sheet: key figures





- Reduction of non-current assets reflects low capital investments.
- Lower current assets mainly due to reduction of accounts receivables and less trapped cash.
- Payback of long-term debt reduce non-current liabilities.

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Balance sheet: key figures

(In mio €)	**2012**	**2013**
Net financial debt	700	574
Gearing (net debt to equity) (*)	43.7%	38.2%
Net debt / EBITDA (*)	2.6	1.9
Net debt / REBITDA (*)	2.1	1.8

- Net debt reduction thanks to:
  - improvement in working capital
  - strong cash generation from the businesses
  - limited investment program
- Net debt / EBITDA back below 2X target and gearing well below 50% target.

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Ratios: key figures

	2012	2013
EBITDA margin on sales (*)	7.9%	9.3%
REBIT margin on sales (*)	3.4%	5.2%
EBIT margin on sales (*)	-1.4%	4.3%
Sales on capital employed (asset rotation)	1.4	1.5
Return on capital employed (ROCE) (*)	-2.0%	6.1%
Return on equity (ROE) (*)	-11.3%	2.3%

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Key figures per share

(in €)	2012	2013
Share price at 31 December	21.88	25.72
Number of existing shares at 31 December	60 000 942	60 063 871
Book value	23.70	22.41
Earnings per share (EPS) (*)	-3.33	0.42
Weighted average number of shares	59 058 520	58 519 782

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2014 focus areas by region

EMEA

Maintain growth momentum with focus on high value added products.

North America

Turnaround the business momentum to capture growth in a difficult market.
Important investment program and closure of Canadian wire activities.

Latin America

Maintain strong market shares by remaining competitive versus Asian imports.

Integration of Costa Rica and consolidation of ropes activities in Brazil.

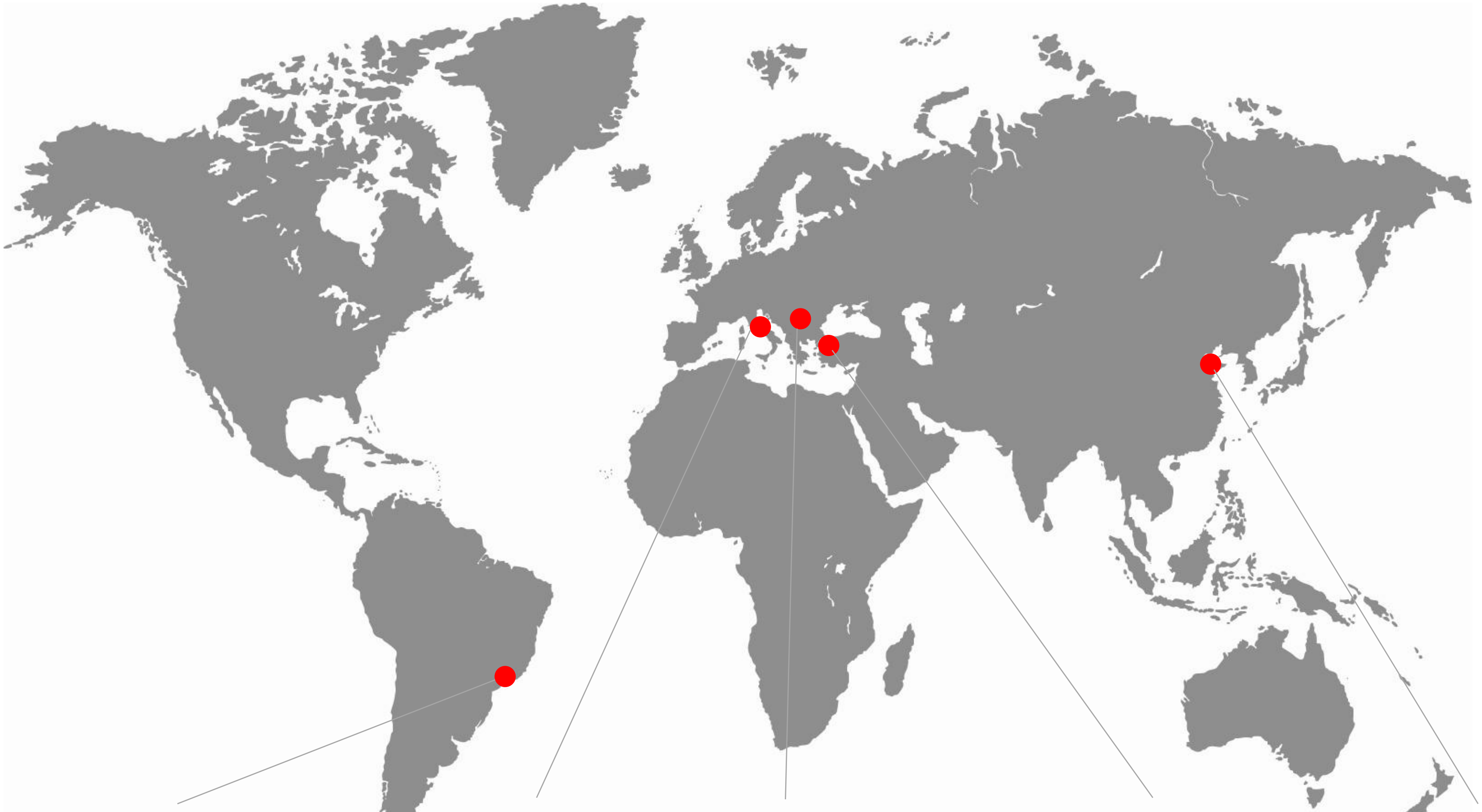
Asia Pacific

Retain volume momentum in Rubber Reinforcement China.

Improve profitability in newly acquired entities.

Pirelli steel cord entities

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



Sumaré, Brasil 1983	Figline, Valdarno, Italy 1962	Slatina, Romania 2005	Izmit, Turkey 1987	Yanzhou, China 2011

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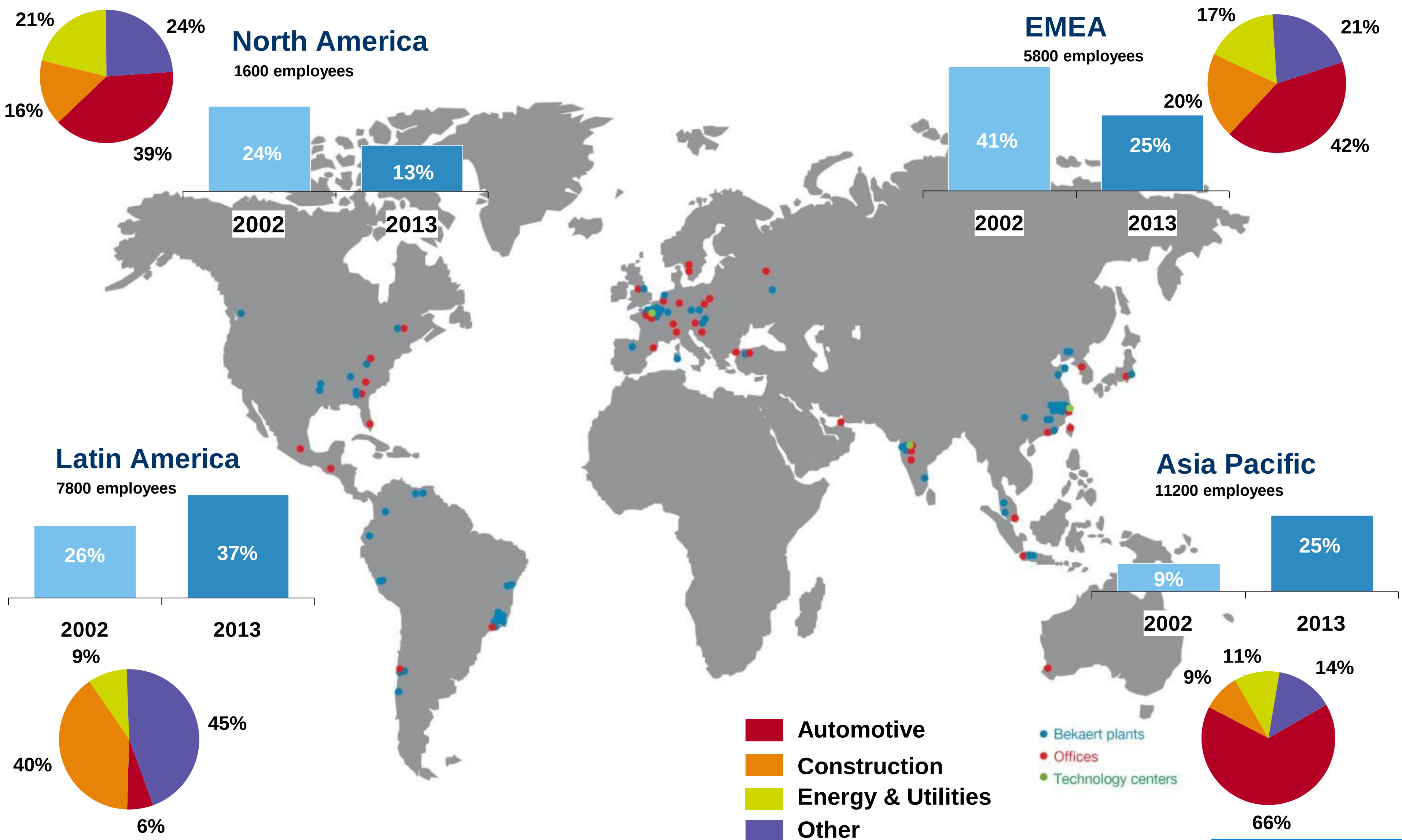
Combined sales per region and per sector



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Bekaert's ongoing capacity expansions and M&A projects

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