

4. Segment reporting

The Group uses a geographical segmentation since it is the best enabler to evaluate the nature and financial effects of the business and to make stakeholders understand our business as a whole in a transparent way. Key in this approach has been the increasing importance of the regions following from the Company's growth strategy, with a clear focus on the emerging markets.

The Company's regional businesses are typically characterized by common cost drivers, a product portfolio that is tailored to regional industry requirements, and specific distribution channels. They distinguish themselves in terms of political, economic and currency risks and growth drivers of the business. Adding to the relevance of the segmentation is the fact that the Company sells approximately 90% of its products in the region where they are produced. According to IFRS 8, four reporting segments have been defined, reflecting the company's presence in four main regions:

- 1) EMEA – Europe, Middle-East and Africa (2012: 30% of consolidated sales)
- 2) North America (2012: 19% of consolidated sales)
- 3) Latin America (2012: 24% of consolidated sales)
- 4) Asia Pacific (2012: 27% of consolidated sales)

Key data by reporting segment

Only capital employed elements (intangible assets, goodwill, property, plant and equipment and the elements of the operating working capital) are allocated to the various segments. All other assets and liabilities are reported as unallocated corporate assets or liabilities. 'Group & Business support' mainly consists of the functional unit technology and unallocated expenses for group management and services; it does not constitute a reportable segment in itself. The geographical segmentation is based on the location of the Bekaert entities rather than on the location of its customers. Since it is Bekaert's strategy to produce as close as possible to the customers, most customers are serviced by Bekaert entities in their own region. Any sales between segments are transacted at prices which reflect the arm's length principle.

| 2012 in thousands of € | EMEA | North America | Latin America | Asia Pacific | Group & Business support | Reconcilia- tions | Consoli- dated |
|--|----------------|------------------|------------------|------------------|--------------------------------|----------------------|-------------------|
| Net sales | 1 044 090 | 658 855 | 812 293 | 945 386 | - | - | 3 460 624 |
| Operating result before non-recurring items (REBIT) | 63 278 | 29 508 | 63 534 | 37 171 | -78 599 | 2 929 | 117 821 |
| Non-recurring items | -74 600 | -13 786 | 15 960 | -69 849 | -24 826 | - | -167 101 |
| Operating result (EBIT) | -11 322 | 15 722 | 79 494 | -32 678 | -103 425 | 2 929 | -49 280 |
| Depreciation and amortization | 52 079 | 12 373 | 20 730 | 148 742 | 8 940 | -13 761 | 229 103 |
| Impairment losses | 26 982 | 10 698 | 232 | 56 255 | 820 | - | 94 987 |
| EBITDA | 67 739 | 38 793 | 100 456 | 172 319 | -93 665 | -10 832 | 274 810 |
| Segment assets | 757 762 | 276 808 | 479 647 | 1 358 539 | 137 171 | -191 697 | 2 818 230 |
| Unallocated assets | - | - | - | - | - | 849 468 | 849 468 |
| Total assets | 757 762 | 276 808 | 479 647 | 1 358 539 | 137 171 | 657 771 | 3 667 698 |
| Segment liabilities | 177 075 | 58 485 | 96 986 | 141 614 | 61 425 | -92 441 | 443 144 |
| Unallocated liabilities | - | - | - | - | - | 1 620 840 | 1 620 840 |
| Total liabilities | 177 075 | 58 485 | 96 986 | 141 614 | 61 425 | 1 528 399 | 2 063 984 |
| Capital employed | 580 687 | 218 323 | 382 661 | 1 216 925 | 75 746 | -99 256 | 2 375 086 |
| Average capital employed | 626 220 | 219 307 | 278 537 | 1 353 146 | 95 959 | -101 534 | 2 471 634 |
| Return on average capital employed (ROCE) | -1.8% | 7.2% | 28.5% | -2.4% | - | - | -2.0% |
| Capital expenditure – PP&E | 38 965 | 10 013 | 29 418 | 48 267 | 5 666 | -8 973 | 123 356 |
| Capital expenditure – intangible assets | 1 737 | 304 | 161 | 3 132 | 573 | -1 921 | 3 986 |
| Share in the results of joint ventures and associates | 33 | - | 16 275 | -5 925 | - | - | 10 383 |
| Investments in joint ventures and associates | 102 | - | 155 754 | 11 739 | - | - | 167 595 |
| Number of employees (year-end) | 5 159 | 1 627 | 3 986 | 9 984 | 1 793 | - | 22 549 |
| 2011 in thousands of € | | | | | | | |
| Net sales | 1 168 793 | 665 392 | 371 573 | 1 134 199 | - | - | 3 339 957 |
| Operating result before non-recurring items (REBIT) | 65 834 | 31 815 | 35 401 | 224 092 | -66 757 | -9 527 | 280 858 |
| Non-recurring items ¹ | 4 082 | 11 476 | - | -6 179 | -952 | - | 8 427 |
| Operating result (EBIT)¹ | 69 916 | 43 291 | 35 401 | 217 913 | -67 709 | -9 527 | 289 285 |
| Depreciation and amortization | 54 241 | 13 929 | 12 358 | 124 469 | 13 061 | -17 223 | 200 835 |
| Impairment losses | 193 | 539 | 315 | 5 423 | - | - | 6 470 |
| EBITDA¹ | 124 350 | 57 759 | 48 074 | 347 805 | -54 648 | -26 750 | 496 590 |
| Segment assets | 867 875 | 270 848 | 231 537 | 1 654 569 | 190 113 | -238 803 | 2 976 139 |
| Unallocated assets | - | - | - | - | - | 1 192 966 | 1 192 966 |
| Total assets | 867 875 | 270 848 | 231 537 | 1 654 569 | 190 113 | 954 163 | 4 169 105 |
| Segment liabilities | 196 123 | 50 557 | 57 125 | 165 203 | 73 941 | -134 992 | 407 957 |
| Unallocated liabilities | - | - | - | - | - | 1 994 726 | 1 994 726 |
| Total liabilities | 196 123 | 50 557 | 57 125 | 165 203 | 73 941 | 1 859 734 | 2 402 683 |
| Capital employed | 671 752 | 220 291 | 174 412 | 1 489 366 | 116 172 | -103 811 | 2 568 182 |
| Average capital employed | 648 939 | 239 323 | 164 650 | 1 371 000 | 98 375 | -104 568 | 2 417 718 |
| Return on average capital employed (ROCE) ² | 10.8% | 18.1% | 21.5% | 15.9% | - | - | 12.0% |
| Capital expenditure – PP&E | 88 733 | 12 846 | 11 018 | 165 120 | 15 343 | -26 423 | 266 637 |
| Capital expenditure – intangible assets | 3 065 | 633 | 155 | 8 654 | 1 051 | -2 468 | 11 090 |
| Share in the results of joint ventures and associates | 62 | - | 24 925 | 436 | - | - | 25 423 |
| Investments in joint ventures and associates | 102 | - | 240 491 | 17 667 | - | - | 258 260 |
| Number of employees (year-end) | 5 976 | 1 506 | 2 467 | 10 408 | 2 056 | - | 22 413 |

¹ Gains on business disposals (EMEA: € 7.2 million, North America: € 12.2 million, Asia Pacific: € 1.4 million) have been reclassified from other financial income to non-recurring items. See adjusted 'Non-recurring items' section in note 2.4. 'Income statement items'.

² The reclassification effect of gains on business disposals in 2011 amounts to 1.1% for EMEA, 5.1% for North America and 0.1% for Asia Pacific.

* ROCE: Operating result (EBIT) relative to average capital employed

** Number of employees: full-time equivalents

Following table provides more information on the amounts presented as 'Reconciliations' in the previous table:

| Reconciliations in thousands of € | 2011 | 2012 |
|---|------------------|------------------|
| Operating result (EBIT) | | |
| Intangible assets | -23 | 102 |
| PP&E | -25 545 | -6 582 |
| Inventories | -1 178 | -4 352 |
| Intersegment margin eliminations | -26 746 | -10 832 |
| intangible assets | -5 | -4 |
| PP&E | -17 218 | -13 757 |
| Depreciation and amortization relating to intersegment margin eliminations | -17 223 | -13 761 |
| Intangible assets | -18 | 106 |
| PP&E | -8 327 | 7 175 |
| Inventories | -1 182 | -4 352 |
| EBIT: intersegment elimination minus related depreciation & amortization | -9 527 | 2 929 |
| Segment assets | | |
| Intangible assets | -19 | -340 |
| PP&E | -99 358 | -92 005 |
| Inventories | -4 177 | -6 911 |
| Trade receivables | -135 243 | -92 144 |
| Advances paid | -6 | -297 |
| Intersegment eliminations on capital employed assets | -238 803 | -191 697 |
| Unallocated assets | | |
| Other assets than capital employed elements | 1 192 966 | 849 468 |
| Segment liabilities | | |
| Trade payables | -134 986 | -92 139 |
| Advances received | -6 | -302 |
| intersegment eliminations on capital employed liabilities | -134 992 | -92 441 |
| Unallocated liabilities | | |
| Other liabilities than capital employed elements | 1 994 726 | 1 620 840 |
| Capital employed | | |
| Segment assets eliminations | -238 803 | -191 697 |
| - Segment liabilities eliminations | 134 992 | 92 441 |
| intersegment eliminations on capital employed elements | -103 811 | -99 256 |
| Capex PP&E | | |
| Intersegment margin eliminations on PP&E | -25 545 | 8 973 |
| Capex PP&E adjustments | -25 545 | 8 973 |
| Capex Intangible assets | | |
| Intersegment margin eliminations on intangible assets | -23 | 1 921 |
| Capex Intangible assets adjustments | -23 | 1 921 |

Revenue by product application

| in thousands of € | 2011 | 2012 | Variance (%) |
|--------------------------------------|------------------|------------------|-----------------|
| Net sales | | | |
| <i>Rubber reinforcement products</i> | 1 341 467 | 1 337 188 | -0.3% |
| <i>Other steel wire products</i> | 1 641 841 | 1 927 321 | 17.4% |
| <i>Stainless products</i> | 197 529 | 178 973 | -9.4% |
| <i>Coatings & other</i> | 159 120 | 17 142 | -89.2% |
| Total | 3 339 957 | 3 460 624 | 3.6% |

Rubber reinforcement products include tire cord, bead wire, hose reinforcement wire, belt cord wire and steel fabric. Other steel wire products include industrial steel wires, specialty steel wires, building products, advanced cords and sawing wire. Stainless products include stainless wires, fibers and combustion products for heating, drying and, until this activity was sold on 5 July 2012, flaring. Coatings sales have decreased substantially due to

the sale of the Specialty Films business on 30 September 2011 and have ceased completely since the sale of the Industrial Coatings business on 2 April 2012.

All product groups are sold in all segments, except for coating products which – until disposal – were not sold in Latin America. The product mix is very similar in EMEA and North America, while in Asia Pacific rubber reinforcement products are predominant, whereas in Latin America other steel wire products make up the largest part of the business.

Additional information by country

The table below shows the relative importance of Belgium (i.e. the country of domicile), China, Chile and the USA for Bekaert in terms of revenues and non-current assets (i.e. intangible assets, goodwill, property, plant and equipment).

| in thousands of € | 2011 | % of total | 2012 | % of total |
|---|------------------|-------------|------------------|-------------|
| Net sales from Belgium | 345 223 | 10% | 273 034 | 8% |
| Net sales from Chile | - | 0% | 349 542 | 10% |
| Net sales from China | 900 096 | 27% | 697 796 | 20% |
| Net sales from USA | 618 294 | 19% | 560 964 | 16% |
| Net sales from other countries | 1 476 344 | 44% | 1 579 288 | 46% |
| Total net sales | 3 339 957 | 100% | 3 460 624 | 100% |
| Non-current assets located in Belgium | 133 999 | 9% | 101 660 | 7% |
| Non-current assets located in Chile | - | 0% | 111 128 | 7% |
| Non-current assets located in China | 760 925 | 50% | 627 064 | 42% |
| Non-current assets located in USA | 78 064 | 5% | 73 222 | 5% |
| Non-current assets located in other countries | 564 161 | 37% | 563 668 | 38% |
| Total non-current assets | 1 537 149 | 100% | 1 476 742 | 100% |