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RPR Kortrijk

Special Report of the Board of Directors

Pursuant to Articles 583 and 596 of the Belgian Companies Code

1. Introduction

This special report has been prepared by the Board of Directors of NV Bekaert SA (the “Company”) in accordance with Articles 583 and 596 of the Belgian Companies Code (the “BCC”) in relation to the proposal to issue senior unsecured convertible bonds due June 2018, as described below (the “Bonds”), under the authorized capital of the Company (the “Issuance”) and the disapplication of the preferential subscription right of the Company’s shareholders in connection with the proposed Issuance.

The Bonds will have the form of convertible bonds (*converteerbare obligaties / obligations convertibles*) within the meaning of Articles 489 and following of the BCC. Article 583, first indent, of the BCC stipulates that “*in case of convertible bonds issuance, the purpose and the detailed justification of the operation must be described by the board of directors in a special report*”. Accordingly, the purpose of, and the reasons for, the proposed Issuance are discussed below, in accordance with Article 583 of the BCC.

It is contemplated that the Bonds will be offered solely to qualified investors in Belgium and elsewhere, but outside of the United States, in a private placement by means of an accelerated book-building procedure organized by a syndicate of banks. In order to permit such offering, the preferential subscription right of the Company’s shareholders set forth in Articles 592 and following of the BCC will be disappplied. Article 596, second indent, of the BCC stipulates that in case of disapplication or limitation of the preferential subscription right, “*the board must justify its proposal in a detailed report on, in particular, the price of the issuance and the financial consequences of the transaction for the shareholders*”. Accordingly, the contemplated disapplication of the preferential subscription right, as well as the proposed conversion price of the Bonds and the financial consequences for existing shareholders of the Company are discussed below, in accordance with Article 596 of the BCC.

As required by Article 596 of the BCC, the Statutory Auditor of the Company will issue a special report. This report must be read in conjunction with the Statutory Auditor's special report.

2. Description of the proposed Issuance

The Board of Directors proposes to issue the Bonds up to an aggregate principal amount of approximately EUR 300 million under the authorized capital of the Company.

The Board of Directors intends to offer the Bonds to a broad range of qualified investors in Belgium and elsewhere, but outside of the United States, in a private placement by means of an accelerated book-building procedure. The private placement and book-building procedure will be organized by a syndicate of banks that has been appointed for this purpose by the Company. In order to allow such private placement and book-building procedure, the preferential subscription right of the Company's shareholders will necessarily have to be disapplied.

In order to mitigate dilution for existing shareholders upon conversion of the Bonds, the Board of Directors intends where possible, to repay the principal amount of the Bonds in cash and, if the then prevailing share price is above the conversion price, pay the upside in existing shares of the Company. The Board of Directors intends to initiate a share buyback program in order to purchase shares, in a number which may or may not equal the maximum number of existing shares which could be required in order to pay the difference between the conversion price and the prevailing share price upon conversion of the Bonds.

For information in relation to the terms and conditions of the Bonds (the "Conditions"), reference is made to the latest draft of the Conditions attached as Annex A to this report, which remain subject to completion and amendment. The Conditions will be finalized at the end of the book-building procedure. The main terms of the Bonds can be summarised, for information purposes, as follows:

- (a) **Issuer.** The Company (NV Bekaert SA).
- (b) **Maximum issue size.** Approximately EUR 300,000,000.00 in total, including a possible upsize option. Each Bond will have a principal amount of EUR 100,000.00.
- (c) **Form of the Bonds.** The Bonds will be in bearer form and will be represented by an original global bond which will be deposited with the National Bank of Belgium as operator of the X/N Clearing System and will be credited to the account of Euroclear Bank (for credit to the accounts designated by the relevant subscribers with Euroclear Bank or Clearstream held with the X/N Clearing System).
- (d) **Final maturity date.** The Bonds will have a term of approximately four years as of their issue.
- (e) **Interest.** The Bonds will bear an interest at a rate which should be comprised between 0% and 0.75%, payable annually in May.

- (f) **Conversion.** Each Bond could be converted into new and/or existing shares of the Company on the basis of a conversion price which will be determined following the accelerated book-building procedure. The conversion price will be subject to customary adjustments, including in respect of dividend or other distributions made by the Company in relation to the Company's shares. The maximum number of shares of the Company to be issued upon conversion of one Bond will be calculated as the fraction, (i) the numerator of which will be the principal amount of the Bond (*i.e.*, EUR 100,000.00), and (ii) the denominator of which will be the applicable conversion price.
- (g) **Cash alternative election.** Upon delivery of a conversion notice by a bondholder, the Company will be able to elect to pay a cash alternative amount instead of delivering some or all of the shares.
- (h) **Redemption at the option of the Company.** The Company will in certain circumstances have the right to redeem the outstanding Bonds, for example after approximately two years, if the volume weighted average price of the shares on each of not less than 20 dealing days within a period of 30 consecutive dealing days shall have been at least 130% of the conversion price in effect on each such dealing day.
- (i) **Redemption at the option of the bondholders upon a change of control.** The bondholders will have the right, at their option, to require the Company to redeem their outstanding Bonds following the occurrence of a change of control over the Company if the Company's general shareholders' meeting has approved the terms of the Bonds that are triggered by a change of control over the Company in accordance with Article 556 BCC.
- (j) **Early redemption.** If the Company's general shareholders' meeting has not approved the terms of the Bonds that are triggered by a change of control over the Company in accordance with Article 556 BCC or the resolutions have not been filed with the clerk of the Commercial Court of Kortrijk on or before a stated date the Company will have to redeem all but not some only of the Bonds.
- (k) **Underlying shares.** The shares to be issued upon conversion of the Bonds will have the same rights and benefits as, and rank *pari passu* in all respects with, the existing and outstanding shares of the Company at the moment of their issuance and will be entitled to distributions in respect of which the relevant record date or due date falls on or after the date of issue of the shares.
- (l) **Listing of the underlying shares.** The Company will undertake to obtain the listing of the underlying shares on NYSE Euronext Brussels as soon as reasonably practicable and no later than on the conversion of the Bonds.
- (m) **Transferability of the Bonds.** The Bonds will be freely transferable.
- (n) **Listing of the Bonds.** An application will be made to admit the Bonds to trading on the Open Market segment (*Freiverkehr*) of the Frankfurt Stock Exchange, which is

not a regulated market in the meaning of Article 2, 3° of the Belgian Law of August 2, 2002 on the supervision of the financial sector and on financial services. Such application will be made within three months following delivery of the Bonds.

- (o) *Increase of the share capital of the Company.* If the Bonds are converted into new shares, the Company's share capital will be increased.

For the avoidance of doubt, the exact parameters of the Issuance will be determined at a later stage by the Board of Directors and/or persons who have been authorized to do so, in accordance with the general principles of this special report.

3. **Issuance of the Bonds under the authorized capital**

The Board of Directors proposes to issue the Bonds under the authorized capital of the Company. The Board of Directors has been authorized by the shareholders' general meeting held on May 9, 2012 to increase the Company's registered capital in one or more times by an aggregate maximum amount of EUR 176,000,000.00. This authorization has been published in the Official Gazette (*Belgische Staatsblad / Moniteur belge*) on June 5, 2012 and is valid for five years after this date. The Board of Directors has not made use of its powers under the authorized capital.

In accordance with Article 44 of the Company's Articles of Association and Article 605 of the BCC, the Board of Directors may effect a capital increase under the authorized capital by means of issuing convertible bonds and limit or disapply the preferential subscription right of the Company's shareholders. The Issuance may therefore be decided by the Board of Directors under the authorized capital of the Company.

The Board of Directors believes that the use of the authorized capital of the Company for purposes of the Issuance will, in the interests of the Company, provide flexibility in the execution of the placement and reduce the time to market the Bonds, thus enabling the Company to seize optimum market conditions.

4. **Reasons for the proposed Issuance**

The net proceeds from the Issuance will be used by the Company to diversify its funding sources, to strengthen its balance sheet liquidity as well as to fund future internal and external growth, consistent with the Company's strategy.

Considering current market opportunities, the flexibility offered by the Issuance and the alternative sources of funding in terms of cost and maturities currently available to the Company, the Board of Directors is of the opinion that the contemplated Issuance will be in the interest of the Company. Such Issuance will enable the Company to attract qualified investors interested in convertible bonds. The Board of Directors also underlines the flexibility offered by the proposed offering's structure, which is expected to include an upside option that will enable the Company to adjust the size of the Issuance to the market conditions existing upon issuance of the Bonds.

5. Disapplication of the preferential subscription right

In connection with the Issuance, the Board of Directors proposes to disapply the preferential subscription right of existing shareholders set forth in Articles 596 and following of the BCC. The Issuance is therefore subject to the conditions and formalities set forth in the BCC for the disapplication or limitation of the preferential subscription right. The Board of Directors is authorized to disapply the preferential subscription right of existing shareholders in accordance with Article 44 of the Company's Articles of Association when issuing convertible bonds under the Company's authorized capital. The Board of Directors considers that such disapplication is in the interest of the Company for the reasons indicated below.

As indicated above, the Bonds will be placed by a syndicate of banks appointed by the Company, with qualified investors in Belgium and elsewhere, but outside of the United States, following an accelerated book-building procedure. An application will be made to admit the Bonds to trading on the Open Market segment (*Freiverkehr*) of the Frankfurt Stock Exchange. Therefore, it is proposed that the preferential subscription right of the existing shareholders be disapplied for the benefit of the holders of the Bonds.

The Board of Directors proposes not to offer the Bonds to the public or to all existing shareholders with application of the preferential subscription right. Indeed, should the Bonds be offered to all shareholders on a pre-emptive basis (in which case the minimum denomination would logically have to be adjusted to a lower level in order to allow effective shareholder participation), the offering would, in addition to the timing and formalities inherent to offerings made on a pre-emptive basis (with separately tradable rights and a minimum subscription period), require the preparation of a prospectus to be approved by the Belgian Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten / Autorité des services et marchés financiers*) in accordance with the Belgian Law of June 16, 2006 on the public offering of securities and the admission of securities to trading on a regulated market. The preparation and approval of such a prospectus would necessarily extend over a significant period of time, which would prevent the Company from seizing market opportunities and accessing the capital markets in a timely and efficient manner. Further, an institutional placement such as the proposed Issuance, which would be the Company's first issuance on the equity-linked markets since the retail offering of convertible bonds in 1972, will enable the Company to access a new pool of sophisticated investors and increase its visibility and reputation on the capital markets.

In addition, the Board of Directors intends to mitigate dilution for existing shareholders by paying upon conversion of the Bonds, where possible, (i) the principal amount of the Bonds in cash and, (ii) if the then prevailing share price is above the conversion price, the upside in existing shares of the Company. The Board of Directors intends to initiate a share buyback program in order to purchase shares, in a number which may or may not equal the maximum number of existing shares which could be required in order to pay the difference between the conversion price and the prevailing share price upon conversion of the Bonds.

For these reasons, the Board of Directors considers that an institutional private placement, and the resulting disapplication of the preferential subscription right of existing shareholders, are in the best interests of the Company.

6. Conversion price of the Bonds

As indicated above, the initial conversion price of the Bonds will be determined as the result of an accelerated book-building procedure conducted with a broad range of qualified investors in Belgium and elsewhere, but outside of the United States, that will be organized for the Company by a syndicate of banks. Within this procedure, qualified investors will be able to indicate to the banks their interest to subscribe for the Bonds, as well as the main terms (including the principal amount, the interest rate and the conversion price) for such subscription. On the basis of this process and taking into account the demand and interest of investors, the final terms of the Bonds, including the conversion price, will be determined by the Company, upon recommendation from the banks.

The conversion price of the Bonds is expected to include a premium to the market price of the Company's shares at the time of placement of the Bonds. As the conversion price will be determined following a book-building procedure involving a broad range of qualified investors, the final conversion price will reflect the market price of the Bonds.

The Company will have the right to effect certain transactions with respect to the share capital or similar transactions, but the conversion price will then need to be adjusted and reduced based on specific formulas that will be included in anti-dilution mechanisms customary in the Euromarkets and set forth in the Conditions. These formulas will be described in detail in the Conditions, of which the latest draft is attached as Annex A to this report. These adjustment mechanisms are customary for securities of the type of the Bonds. They are also consistent with the principles set forth in Article 490 of the BCC.

Taking into account the aforementioned benefits of the transaction for the Company (see section 4 above), the Board of Directors believes that the contemplated method to determine the conversion price of the Bonds is reasonable, appropriate and justified since it strikes a reasonable balance between the interests of the existing shareholders and those of the bondholders.

7. Financial consequences of the transaction for the shareholders

The Conditions contemplate that upon conversion of the Bonds, the Company may decide to deliver new shares, existing shares or cash (see 2(f) and 2(g) above). The following paragraphs, which discuss the financial consequences of the Issuance for existing shareholders in accordance with Article 596 of the BCC, are only relevant insofar as the Company would elect to deliver new shares upon conversion of the Bonds.

As mentioned above, this is not the intention of the Board of Directors. In order to mitigate dilution for existing shareholders upon conversion of the Bonds, the Board of Directors intends where possible, to repay the principal amount of the Bonds in cash and, if the then prevailing share price is above the conversion price, pay the upside in existing shares of the Company. The Board of Directors intends to initiate a share buyback program in order to purchase shares, in a number which may or may not equal the maximum number of existing shares which could be required in order to pay the difference between the conversion price

and the prevailing share price upon conversion of the Bonds. The conversion of the Bonds would then have no dilutive effect for existing shareholders.

(a) *Introduction*

Upon conversion of the Bonds into new shares, the Company will have to issue new shares, and the share capital of the Company will be increased as further described in section (b). The effect for existing shareholders of the Company of the issue of new shares upon conversion of the Bonds can be summarised and illustrated below (all information is given for illustration purposes only).

The actual effects of the proposed transaction cannot be determined with any certainty, as the key financial parameters of the Issuance, such as the conversion price of the Bonds to be issued, are unknown as of the date of this report, and will not be known until after the placement of the Bonds.

Furthermore, after the Issuance, it is not yet certain whether, or in which proportion, the Bonds will be converted. If, at the time of conversion of the Bonds, the issue price per underlying share is lower than the prevailing market price of the shares, this will entail a financial dilution of the existing shareholders, in addition to the dilution due to the issuance of new shares illustrated in section (b). As the evolution of the market price of the shares cannot be predicted with certainty, the possible financial dilution entailed by the conversion of the Bonds cannot be described.

Accordingly, the discussion set out below of the financial consequences of the transaction for existing shareholders is purely illustrative and hypothetical, and is based on purely indicative financial parameters. The actual conversion price and the level of discount of shares issuable to the then prevailing share price, as well as the number of Bonds to be issued, may vary from the hypothetical values used in this report.

(b) *Illustrative description of impact of the Issuance*

Subject to the methodological reservations noted above, the table below reflects the impact of the Issuance at various conversion price levels and is based on the following assumptions:

- the aggregate amount of gross proceeds of the Issuance amounts to EUR 300 million;
- all Bonds are immediately converted into new shares (maximal dilution);
- none of the existing shareholders subscribes for the Bonds (maximal dilution);
- the conversion price of the Bonds is higher than the prevailing market price of the shares (no financial dilution);

- no stock option entitling their holders to acquire new shares is exercised (no additional dilution)¹;
- the Company has 60,063,871 outstanding shares and a share capital of EUR 176,773,000.00;
- the conversion price is comprised between EUR 37 and EUR 42; and
- upon conversion of the Bonds, the Company will deliver new shares (and not existing ones).

¹ There are 537,655 stock options outstanding under the Company's stock option plans, in the form of subscription rights, which are convertible into 537,655 new shares. These options could therefore have an impact on the Company's share capital and number of outstanding shares. It is however not yet certain whether, or in which proportion, the stock options will be exercised. If, at the time of exercise of the options, their exercise price per underlying share is lower than the prevailing market price of the shares, this will entail a financial dilution of existing shareholders in addition to the dilution due to the conversion of the Bonds. As the evolution of the market price of the shares cannot be predicted with certainty, the possible financial dilution entailed by the exercise of the stock options cannot be described. There are no other stock options or subscription rights which have been granted by the Company and which give their holders the right to acquire new shares.

Effect of the Bonds

Conversion price of Bonds	€37	€38	€39	€40	€41	€42
Number of existing shares pre-issue	60,063,871	60,063,871	60,063,871	60,063,871	60,063,871	60,063,871
Number of new shares	8,108,108	7,894,737	7,692,308	7,500,000	7,317,073	7,142,857
Total number of shares post-issue	68,171,979	67,958,608	67,756,179	67,563,871	67,380,944	67,206,728
Share capital post-issue	€200,635,162	€200,007,211	€199,411,462	€198,845,500	€198,307,146	€197,794,429
Fractional value of the shares post-issue	€2.943	€2.943	€2.943	€2.943	€2.943	€2.943
Existing share-holders' share of share capital	88.11%	88.38%	88.65%	88.90%	89.14%	89.37%

As to the evolution of the share capital, the following should be noted. On the date of this special report, the Company's share capital amounts to EUR 176,773,000.00 represented by 60,063,871 shares without nominal value, each share representing one 60,063,871th of the Company's share capital. The current fractional value of the Company's shares amounts to EUR 2.943 per share, which is the result of a fraction, the numerator of which is equal to the Company's share capital (*i.e.*, EUR 176,773,000.00) and the denominator of which is equal to the Company's outstanding shares (*i.e.*, 60,063,871 shares). Upon conversion of the Bonds, the principal amount of these instruments will be allocated as share capital (in an amount per share equal to the fractional value) and issue premium (for the balance).

From an accounting perspective, the aggregate amount of the capital increase (including issue premium as the case may be) resulting from a conversion of Bonds will be allocated in its entirety to the accounting net equity of the Company. If the issue price of the Bonds is higher, or lower, respectively, than the accounting net equity of the Company on a per-share basis prior to the completion of the Issuance, this will entail, assuming all Bonds are converted into new shares, an accretion or a dilution of the accounting net equity per share from an accounting perspective.

In any event, the maximum number of shares issuable upon conversion of the Bonds cannot exceed the maximum limit that applies to the authorized capital (*i.e.*, EUR 176,000,000.00).

8. Conclusion

For the reasons set forth in this special report, the Board of Directors considers that the proposed Issuance is in the interest of the Company. The Issuance (i) allows the Company to raise funding on more attractive pricing terms than conventional debt, (ii) since the conversion price will likely be at a significant premium to the Company's stock price at the time of the Issuance, the Issuance will be less dilutive for existing shareholders than an immediate capital increase, and (iii) the proposed Issuance provides additional visibility for the Company on the financial markets and gives access to a diversified investor base.

Accordingly, the Board of Directors believes that the proposed Issuance, and the resulting disapplication of the preferential subscription rights of existing shareholders, are in the best interests of the Company.

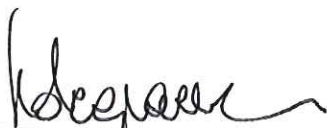
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In accordance with Articles 596 and 75 of the BCC, this special report will be filed with the clerk of the Commercial Court of Kortrijk.

Done on May 13, 2014,

On behalf of the Board of Directors,

By:



Name : Albrecht De Graeve

Chief Executive Officer

By:



Name : Paul Buysse

Chairman of the Board

Annex A: Latest draft of the terms and conditions of the Bonds, dated May 13, 2014.