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Bekaert Full Year Results 2016

Bert De Graeve, Chairman
Matthew Taylor, CEO
Beatríz García-Cos, CFO

1 March 2017

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Bert De Graeve

Chairman

Bekaert delivers strong profit growth as it moves into higher gear

FY results 2016:

2016 was a year of continued transformation towards higher performance at Bekaert.

We delivered double-digit growth rates in our key underlying performance indicators

- gross profit
- operating profit
- ROCE
- share price
- proposed dividend

The transformation process led by Matthew Taylor has the full support of the Board of Directors. The Board is convinced that the transformation journey will keep Bekaert moving towards achieving its true potential.

Matthew Taylor

Chief Executive Officer

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2016 Highlights

- Consolidated sales of € 3.7 billion (+1%) and combined sales of € 4.4 billion (-1%)
- Currency impact: € -65 million (-2%) on consolidated sales; € -96 million (-2%) on combined sales
- Gross profit of € 690 million (18.6% margin), up 15% vs € 598 million (16.3%) in 2015
- Underlying EBIT of € 305 million (8.2% margin), up 32% vs € 231 million (6.3%)
- EBIT of € 260 million (7.0% margin) compared with € 219 million (6.0% margin)
- Underlying EBITDA of € 513 million (13.8% margin) compared with € 436 million (11.9% margin). An improvement by € 77 million or 18%
- Underlying ROCE of 11.8% compared with 9.1%
- Net debt of € 1 068 million, including € 279 million acquisition impact of the Bridon merger deal. Net debt on underlying EBITDA was 2.1, slightly higher than last year (1.9). Excluding the Bridon impact, net debt on underlying EBITDA dropped to 1.5, reflecting the strong cash generation of Bekaert in 2016
- EPS: € 1.87 compared with € 1.82

Economic environment

- Continued strong demand from automotive markets
- Weak demand from Oil & Gas markets due to continuing low planned investments in extraction projects
- Low commodity and oil prices negatively impacted the economies in Latin America. Price rises in recent months haven't improved the overall economic outlook (Brazil, Ecuador, Venezuela, ..)
- Economic uncertainty driven by political uncertainty & policy changes
  - Brexit
  - US trade policy & tariff changes
  - Elections
- Strong volatility of currencies and raw materials prices
- No major changes in global GDP growth perspectives
- Strong stock markets

EMEA:

- Good demand from automotive and construction markets
- Weak demand from the Oil and Gas sector due to continuing low planned investments, heavily affecting our flexpipe market
- So far, Brexit hasn't affected demand in our sectors, but we remain cautious about a potential impact of growing uncertainty
- Raw materials price hikes may cause some temporary margin pressure

North America:

- Strong demand from automotive markets: accelerating investments to meet the anticipated continued growth
- Industrial wire platform adjusted its strategy on the basis of better segmentation – successful BCE pilot program
- Oil and Gas sector very weak
- Caution about margin effects from US trade policy and related tariff changes

Business review (2)

Latin America:

- Challenging economic environment across the region
- Stable to increased market share in value adding businesses
  - Housing project Ecuador
  - Product portfolio & distribution model Chile
  - Tire cord business Sumaré
- Venezuela shutdown periods due to lack of wire rod
- Significant volatility of currencies:
  - BRL: -4% average FY Δ <> +20% Δ closing rate, year-on-year
  - CLP: -3% average FY Δ <> +9% Δ closing rate, year-on-year
  - VEF lost 629%, year-on-year

Asia Pacific:

- Competitive pressure from overcapacity in China successfully countered by the benefits from transformation programs: cost reduction & product portfolio
- Strong growth in India and Indonesia: investments pay off and will be continued. Demand in China exceeded our capacity in 2nd HY. Expansions are in process
- Volatility in solar markets: demand drop in Q3 due to changes in feed-in tariffs; Recovery in Q4 and expecting good demand in 1H2017

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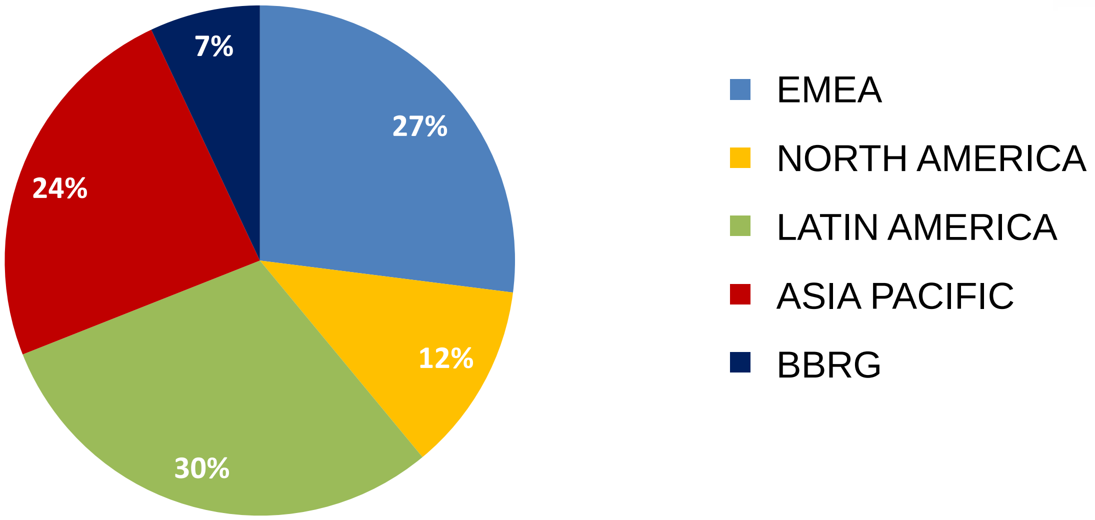
Business review (3)

Bridon-Bekaert Ropes Group:

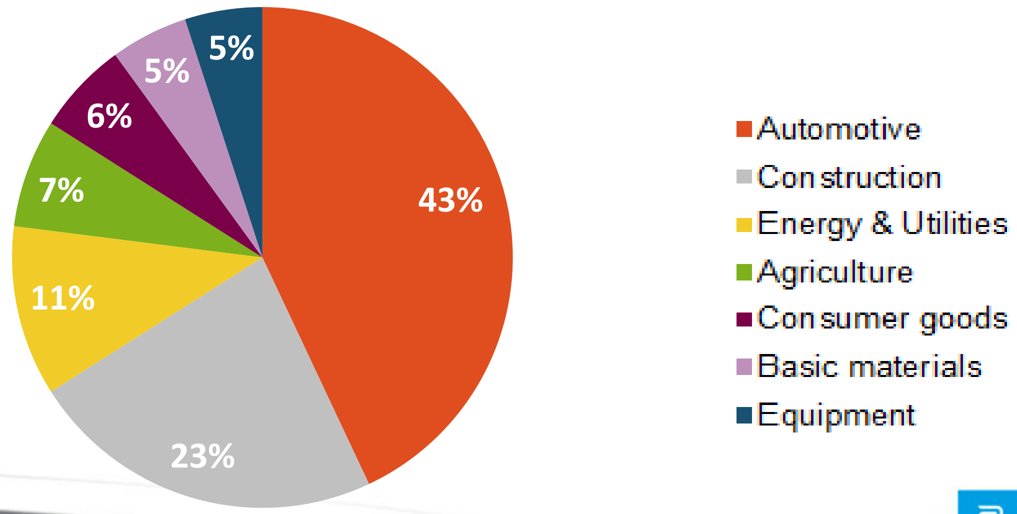
- Weak Oil & Gas markets heavily affected demand for ropes
- Advanced cords business: demand remained strong throughout the year
- Realignment and improvement actions put in place to seize growth opportunities and improve profitability

Combined sales breakdown

By segment



By sector



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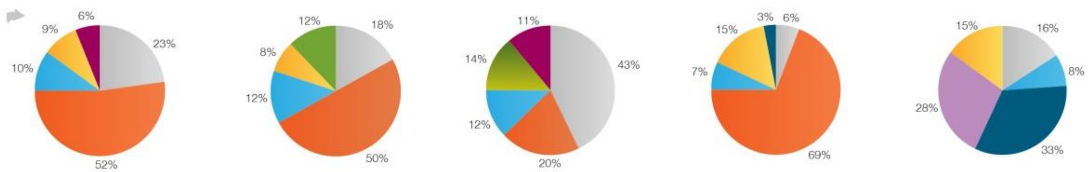
Bekaert global presence

Segment		EMEA	North America	Latin America	APAC	BBRG



		EMEA	North America	Latin America	APAC	BBRG
FY 2016 € mln	Combined Sales	1 147	512	1 320	1 052	319
YE 2016	Employees	7 297	1 344	7 144	10 563	2 514

Automotive · Agriculture · Construction · Basic Materials · Consumer Goods · Energy & Utilities · Equipment · Other Industries

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Beatríz Garcia-Cos

Chief Financial Officer

Note: terminology changes and restatements

- In accordance with recent ESMA guidance on non-GAAP measures, terminology has been adapted: what was reported as ‘REBIT’, is now referred to as ‘**underlying EBIT**’.
- In accordance to the updated IFRS standard IAS19, 2015 as published has been restated.
- In addition, external M&A related fees have been restated to be no longer part of the underlying EBIT measure.
- Reminder: any entity belonging to Bridon-Bekaert Ropes Group which used to be reported in a regional segment, has been moved to the BBRG segment.

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Consolidated income statement: key figures

(in mio €)	2015	2016
Sales	3 671	3 715
Cost of Sales	(3 073)	(3 025)
Gross Profit	**598**	**690**
Gross Profit margin	16.3%	18.6%

- Sales growth of 1% reflecting:
  - 4% organic volume growth, net of Vicson
  - Largely offset (-3%) by passed-on lower wire rod prices and price-mix
  - Incremental sales from the net effect of acquisitions/divestments: +2.5%
  - Negative impact of exchange rate movements: -2.5%
- Gross Profit growth of € 92 million (+15%) resulting in a margin of 18.6%
  - mainly reflecting the success of the transformation programs which are driving excellence, cost savings and value creating growth
  - positive net impact of acquisitions/divestments: + € 14.5 million

Consolidated income statement: key figures

(in mio €)	2015	2016
Gross Profit	**598**	**690**
Selling expenses	(156)	(175)
Administrative expenses	(141)	(140)
R&D expenses	(65)	(64)
Other operating revenue and expenses	(17)	(52)
EBIT	**219**	**260**

- SG&A slightly increased to 10.2 % of sales.
- The increase in Selling Expenses (€ +19 million) reflects to a large extent the impact of mergers, acquisitions & divestments (€ +9.6 million) and costs related to the Customer Excellence program (€ +7.8 million); partly offset by a positive impact from currency movements (€ -2.8 million).
- Administrative expenses slightly decreased (€ -1.1 million). The impact of mergers, acquisitions & divestments (€ +13.7 million) was more than offset by overhead cost reductions. Among others, strong reduction of external costs related to the Manufacturing Excellence program (€ -6.7 million savings).
- R&D expenses (€ -1.0 million) decreased as a result of better project management.
- Other operating revenue and expenses include one-off items for a total amount of € -45 million: restructuring expenses in different countries (€ -27.1 mln); impairment losses on PP&E in China (€ -16.2 mln); M&A related fees (€ -8.6 mln); and various other one-offs.

Consolidated income statement: key figures

(in mio €)	Underlying		Reported	
	2015	**2016**	**2015**	**2016**
EBIT	231	305	219	260
EBIT margin	6.3%	8.2%	6.0%	7.0%
EBITDA	436	513	441	481
EBITDA margin	11.9%	13.8%	12.0%	13.0%
ROCE	9.1%	11.8%	8.7%	10.0%

Underlying EBIT :

- Underlying EBIT increased by € 74 million (up 32%) to € 305 million at a margin of 8.2%. This was the result of the improved Gross Profit, partially offset by overhead expenses from mergers, acquisitions and divestments.
- Underlying EBITDA of more than half a billion euro – or a margin of 13.8%.
- ROCE increased to 11.8% driven by the increase of underlying EBIT.

EBIT :

- EBIT includes € 45 million one-off expenses – see above: other operating revenue and expenses.
- These one-offs included € 3.5 million non-cash items. EBITDA margin increased to 13.0%.

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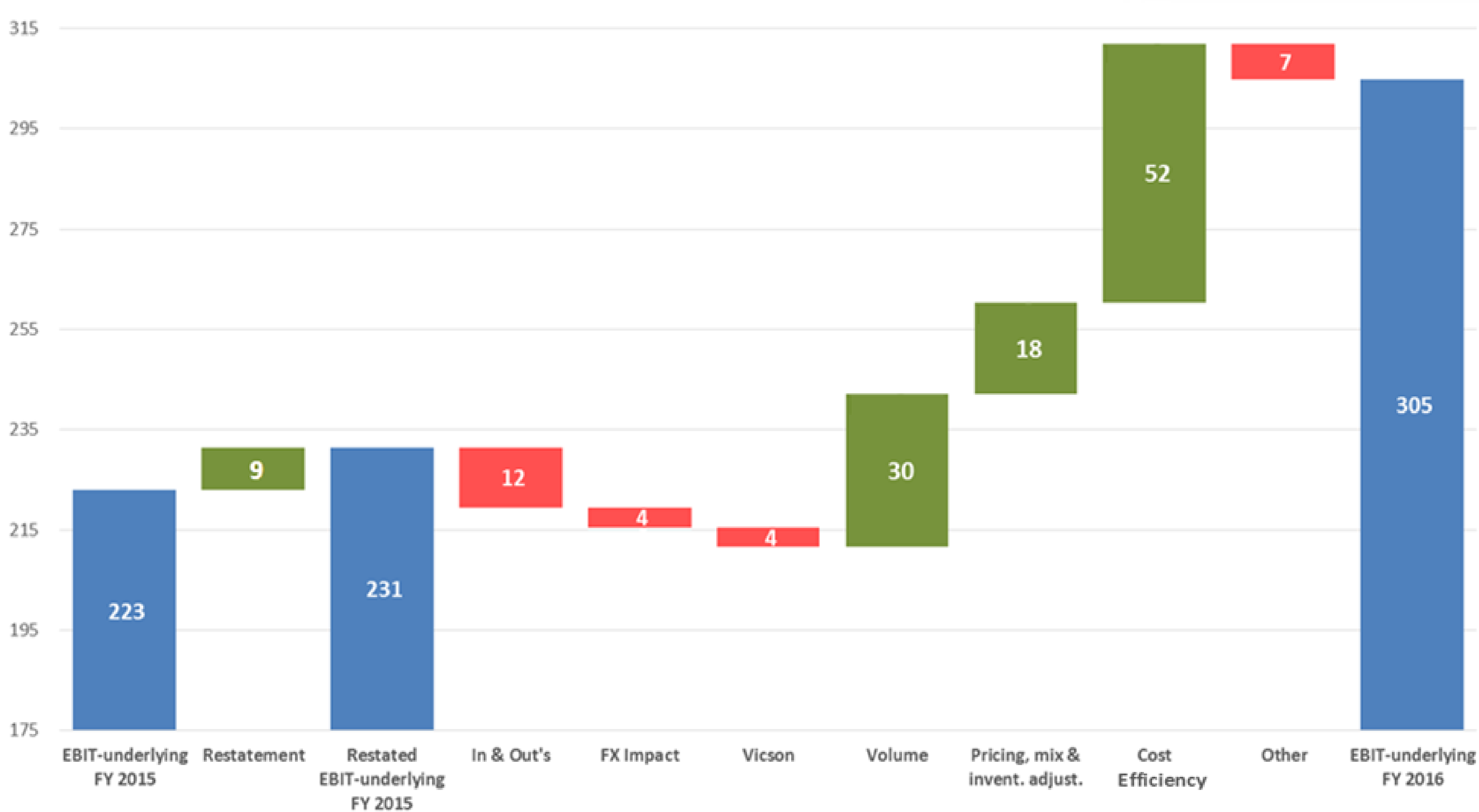
Underlying EBIT Bridge



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Segment reporting: EMEA

(in mio €)	Underlying				Reported	
	2015	**2016**	**H1/2016**	**H2/2016**	**2015**	**2016**
Consolidated sales	1 174	1 148	608	541	1 174	1 148
EBIT	128	141	81	60	135	136
EBIT margin	10.9%	12.2%	13.3%	11.1%	11.5%	11.8%
Depreciation, amortization and impairment losses	54	59	30	29	55	58
EBITDA	183	200	111	89	190	194
EBITDA margin	15.6%	17.4%	18.2%	16.5%	16.2%	16.9%
ROCE	19.3%	22.1%			20.3%	21.3%

- Record EBIT-EBITDA-ROCE for the segment.
- 2.3% organic volume growth and the positive net effects of acquired and divested businesses (+0.7%) were more than offset by price/mix effects (-2.4%), lower wire rod prices (-2.4%) and adverse currency effects (-0.4%).
- Following the usual seasonality, sales and underlying EBIT were lower in the second half.
- Underlying EBIT margin increased by 10% to € 141 million, or 12.2% margin for FY 2016.
- EBIT includes € -8.0 million restructuring costs (Turkey), partly offset by positive one-offs (€ +2.9 mln).

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Segment reporting: North America

(in mio €)	Underlying				Reported	
	2015	2016	H1/2016	H2/2016	2015	2016
Consolidated sales	528	512	264	248	528	512
EBIT	14	26	13	13	27	26
EBIT margin	2.6%	5.1%	5.0%	5.1%	5.2%	5.1%
Depreciation, amortization and impairment losses	11	13	6	7	10	13
EBITDA	24	39	19	19	38	39
EBITDA margin	4.6%	7.6%	7.4%	7.8%	7.2%	7.6%
ROCE	7.0%	11.7%			14.0%	11.7%

- Significant volume and margin growth.
- The organic volume increase by 7.9% was more than offset by price/mix effects (-5.2%), lower wire rod prices (-4.4%), and divested businesses (-1.4%). FX impact was about neutral (+0.3%).
- Margin on sales almost doubled compared to last year thanks to better capacity utilization and the effects from actions to raise our competitiveness in target markets.
- ROCE increased from 7.0 to 11.7%.

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Segment reporting: Latin America

(in mio €)	Underlying				Reported	
	2015	2016	H1/2016	H2/2016	2015	2016
Consolidated sales	712	682	328	353	712	682
EBIT	46	67	33	34	45	67
EBIT margin	6.5%	9.8%	9.9%	9.7%	6.4%	9.8%
Depreciation, amortization and impairment losses	23	22	13	9	24	22
EBITDA	69	89	45	43	69	88
EBITDA margin	9.6%	13.0%	13.8%	12.2%	9.8%	12.9%
ROCE	11.1%	16.6%			11.0%	16.5%

- Bekaert activities delivered excellent results.
- Sales decrease by 4.2% due to adverse exchange rate movements and volume losses from the temporary shutdown of the Venezuelan operations.
- Strong profit improvement (EBIT up € 22 million; EBIT margin increase by 50% to 13%) thanks to stronger product portfolio, better pricing and improved cost competitiveness.
- ROCE improved significantly to 16.5%.

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Segment reporting: Asia Pacific

(in mio €)	Underlying				Reported	
	2015	**2016**	**H1/2016**	**H2/2016**	**2015**	**2016**
Consolidated sales	1 019	1 052	517	535	1 019	1 052
EBIT	69	119	58	62	58	100
EBIT margin	6.8%	11.3%	11.1%	11.5%	5.7%	9.5%
Depreciation, amortization and impairment losses	109	103	51	52	121	119
EBITDA	178	222	108	113	179	219
EBITDA margin	17.5%	21.1%	21.0%	21.2%	17.6%	20.8%
ROCE	6.5%	12.2%			5.4%	10.3%

- 8.5% organic volume growth as a result of strong demand from automotive markets across the region and strong demand from solar markets in the first half of the year, followed by volatile demand in H2. Small net effect of acquisitions and divestments (+0.6%) and of wire rod prices (+1.5%). These positive effects were partly offset by price erosion (-3.7%) and adverse currency movements (-3.7%).
- Underlying EBIT improved with € 50 million (up 72%) to reach 11.3% margin on sales. ROCE almost doubled. The robust performance across the region was the result of high capacity utilization, M&A activity and divestments, and significant benefits from various transformation programs.
- EBIT included expenses related to the impairment of PP&E in China (€ 16.2 million) and to the restructuring of the operations in Malaysia (€ 3.8 million).

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Segment reporting: BBRG

(in mio €)	Underlying				Reported	
	2015	**2016**	**H1/2016**	**H2/2016**	**2015**	**2016**
Consolidated sales	239	320	102	219	239	320
EBIT	29	13	10	4	29	(9)
EBIT margin	12.3%	4.1%	9.3%	1.7%	12.0%	-2.7%
Depreciation, amortization and impairment losses	14	21	7	15	14	22
EBITDA	44	35	16	19	43	13
EBITDA margin	18.2%	10.8%	15.9%	8.5%	17.9%	4.0%
ROCE	12.6%	3.4%			12.3%	-2.3%

- The consolidated numbers include the results of the Bridon entities as from 01 July 2016 onwards.
- Sales increase of 34%, entirely resulting from the Bridon merger (37%). Positive price/mix impact (+4%) was offset by adverse currency movements (-2%) and an organic volume decline (-5%).
- Difficult conditions in the Oil & Gas market impacted profitability particularly in the second half, including the Bridon entities.
- M&A related transaction fees and restructuring measures: € 22 million one-off adjustments.
- Depreciation doubled in the 2nd half due to the restatement of the acquired balance sheet items of Bridon to fair value.

Consolidated income statement: key figures

(in mio €)	2015	2016
EBIT	**219**	**260**
Interest income / expense	(62)	(73)
Other financial income and expenses	(34)	(37)
Result before taxes	123	149
Income taxes	(36)	(62)
Result after taxes (consolidated companies)	**87**	**87**

- Following the Bridon merger, gross debt increased by € 320 million, explaining the net interest cost increase over the second half of 2016.
- Other Financial Results included per HY 2016 an adverse non-cash impact of over € -42.7 million related to the fair value adjustment of the option under the previous convertible bond. The fair value adjustment of the option under the “new” convertible bond resulted in a positive impact of € +5.2 million. Other financial income and expenses reduced by € 16.3 million in the second half of 2016 due to the repayment of USD-loans in Venezuela, which resulted in the release of a provision set up for this purpose.
- Higher income taxes due to higher profitability and to a significant share of non-deductible (non-cash) items, mainly from the convertible bond exchange.

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Consolidated income statement: key figures

(in mio €)	2015	2016
Result after taxes (consolidated companies)	87	87
Share in the results of joint ventures and associates	18	25
Result for the period	**105**	**112**
Attributable to non-controlling interests	4	7
Attributable to the Group	**102**	**105**

Results attributable to non-controlling interests reflect the higher profitability in the companies with minority stakes, offset by the share in the net result of the former Bridon entities.

Cash flow: key figures

(in mio €)	**2015**	**2016**
Gross cash flows from operations	355	376
Cash flows from operations	584	400
Cash flows from investment activities	(363)	(107)
Cash flows from financing activities	(268)	(302)

- Gross cash flows from operations: improved cash generation was offset by higher taxation.
- Cash flows from operations were lower because of less reduction of operating working capital versus the significant drop in 2015.
- Investment activities last year included the impact from M&A (net € -209 million), while this year the cash acquired in the BBRG transaction (€ +40.9 million) is included. PP&E amounted to € -159 million in 2016.
- Cash Flow from Financing Activities reflects the repayment of a long-term loan offset by the extra cash received from the Convertible Bond Exchange.

Working capital: key figures

(in mio €)	2015	2016
Inventories	629	724
Accounts receivable	769	819
Accounts payable	(585)	(701)
Working capital	813	843

- Increase in Working Capital driven by the impact from the merger of the Bridon entities (+ € 52 million) and movements in closing rates of FX (€ +16.5 million).
- Average working capital on sales at 22.6%, down from 24.8% at year-end 2015.

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Consolidated balance sheet: key figures

(in mio €)	**2015**	**2016**
Non-current assets	1 922	2 137
Current assets	1 960	2 168
Assets	3 882	4 304
Equity	1 512	1 598
Non-current liabilities	1 083	1 504
Current liabilities	1 287	1 202
Equity and liabilities	3 882	4 304

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Balance sheet: key figures

(in mio €)	Underlying		Reported	
	2015	**2016**	**2015**	**2016**
Net financial debt	837	1 068	837	1 068
Gearing (net debt to equity)	55.4%	66.8%	55.4%	66.8%
Net debt on EBITDA	1.9	2.1	1.9	2.2

- Net Debt increased by € 279 million as a result of the Bridon transaction.
- Adjusting for the above, Net Debt to underlying EBITDA would have been 1.5x, reflecting a very strong cash generation.

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Ratios: key figures

	Underlying		Reported	
	2015	**2016**	**2015**	**2016**
EBITDA margin	11.9%	13.8%	12.0%	13.0%
EBIT margin	6.3%	8.2%	6.0%	7.0%
Sales on capital employed (asset rotation)	1.4	1.4	1.4	1.4
Return on capital employed (ROCE)	9.1%	11.8%	8.7%	10.0%
Return on equity (ROE)			6.9%	7.2%

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Key figures per share

(in €)	2015	2016
Share price at year-end	28.39	38.49
Number of existing shares	60 125 525	60 347 525
Book value	22.99	24.31
Earnings per share (EPS)	1.82	1.87
Weighted average number of shares	55 841 843	56 263 172

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Matthew Taylor

Chief Executive Officer

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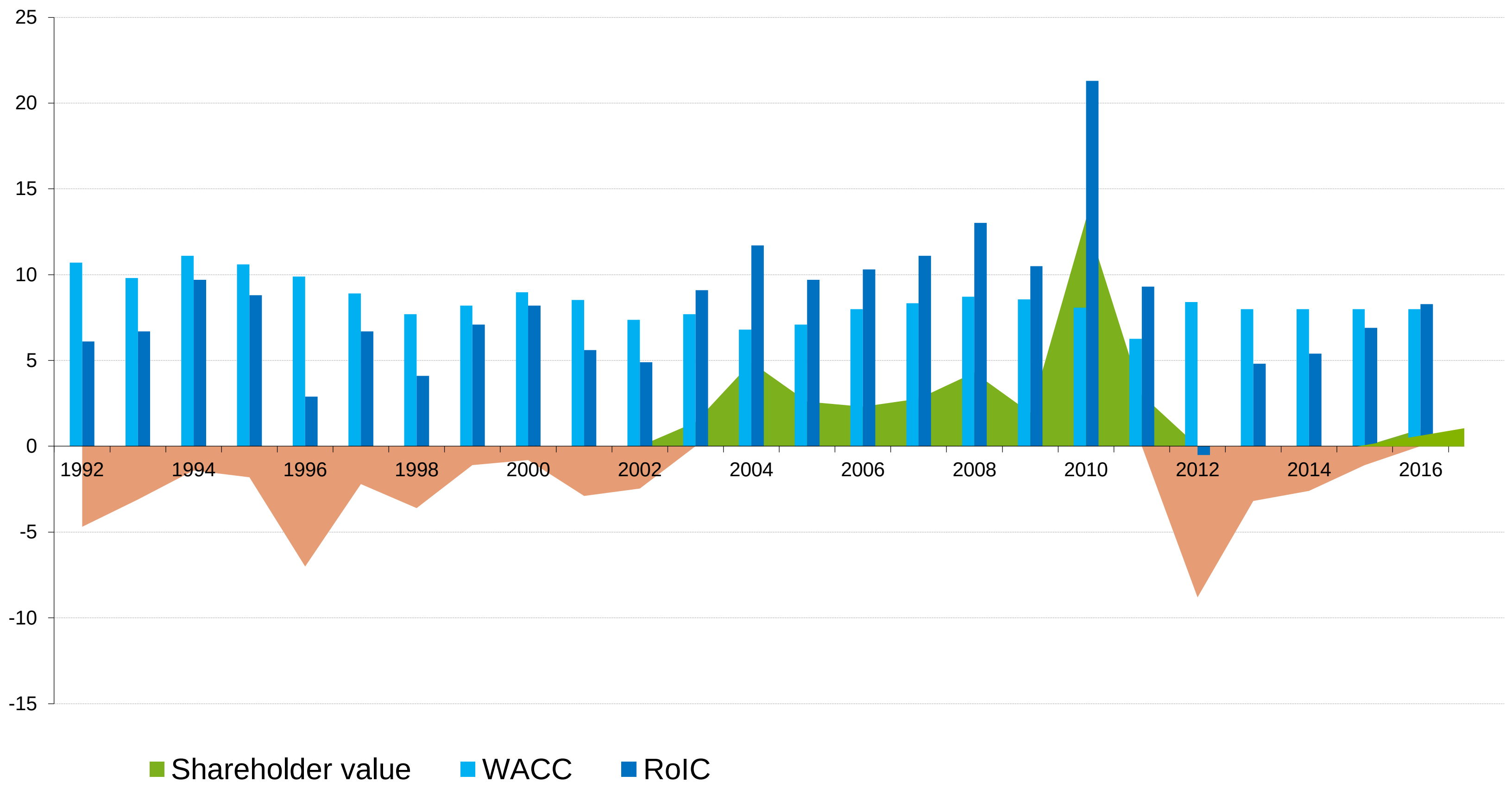
Transformation programs in the numbers: shareholder value



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Our Vision - Our 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.

» Goal Statement for the Heart

Drive value creation through a One Bekaert Team with the passion to win, operating in a no-harm-to-anyone work environment

» Goal Statement for the Head

Increase: Revenue
Profit
ROCE

» Our Long Term Core Strategies

1. **Drive the customer into the heart of our business**
2. **Value driven growth**
3. **Technology leadership and speed**
4. **Leverage scale, reduce complexity and reach lowest total cost**
5. **Engage and empower people**

» Our Immediate Must Win Battles

1. **Cut the crap**
2. **Build a winning business portfolio**
3. **Install manufacturing excellence**
4. **Build the future for Bekaert in North America**
5. **Drive customer excellence**

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Our Values

We act with integrity - We earn trust - We are irrepressible!

Market developments and consolidation scope

Firm demand from **automotive** markets has been a consistent driver of value creating growth throughout 2016. We project automotive to continue to perform well in the first half of 2017.

We expect demand from **oil and gas** markets to remain weak due to the continuing low planned investment activity in extraction projects.

Although we expect a strong start to the year in **solar** markets, changes to feed-in tariffs in China in the middle of the year, will create major volatility in demand.

Brexit and recent political events in general, may lead to growing **uncertainty**. So far: no impact yet on our businesses.

Some changes to our **consolidation scope**:

- full-year integration of the Bridon-Bekaert Ropes Group at still lower than average margins
- ongoing discussions with ArcelorMittal to integrate the Sumaré plant in Brazil into the BMB partnership set-up (44.5% Bekaert shareholding)

Our actions

We continue to drive transformation in our business:

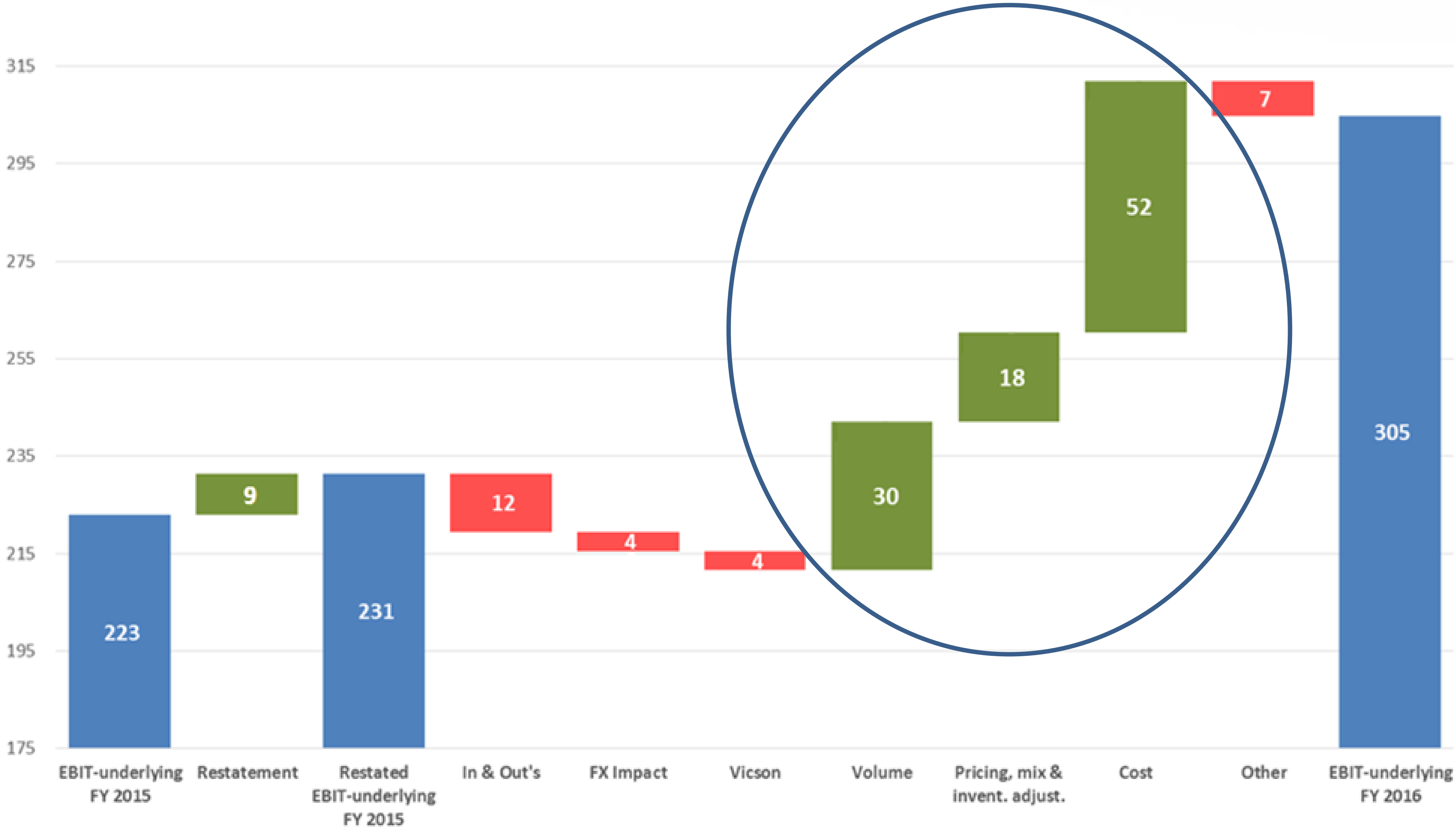
- we have made a clear prioritization of where to grow and how to improve the business portfolio
- we have narrowed our focus on those parts of the business where we can leverage our strengths and drive value creating growth
- and we have reduced the complexity of our structure.

The global transformational programs supporting the company's vision and strategies are expected to gain further ground over the coming years. They include:

- a manufacturing excellence program aimed at gaining competitiveness by improving the company's safety, quality, delivery performance and productivity
- a customer excellence program to drive growth and margin performance
- and a supply chain excellence program to improve our planning and inventory management capability.

These programs are expected to increasingly underpin our move towards a sustainable higher level performance.

Transformation programs in the numbers: underlying EBIT bridge



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Our actions

We take actions where needed and do expect more benefits from our investments and realignment actions in the near future

- Bridon-Bekaert Ropes Group: taking actions to grow volumes and leveraging scale, while making the necessary footprint adjustments: closure of ScanRope plant in Norway; restructuring Belton plant in Texas, US.
- Closure of Shah Alam plant in Malaysia
- Closure of Huizhou plant in China – but investing in other existing locations in China
- Continuing to invest in order to meet growing demand: eg, tire cord US, India, Indonesia, China

Outlook

Despite the changes to our consolidation scope and some unfavorable or uncertain market developments,

we believe we will broadly repeat in 2017 our current strong underlying EBIT level as we expect our transformation programs will compensate for the downward elements.

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Bert De Graeve

Chairman

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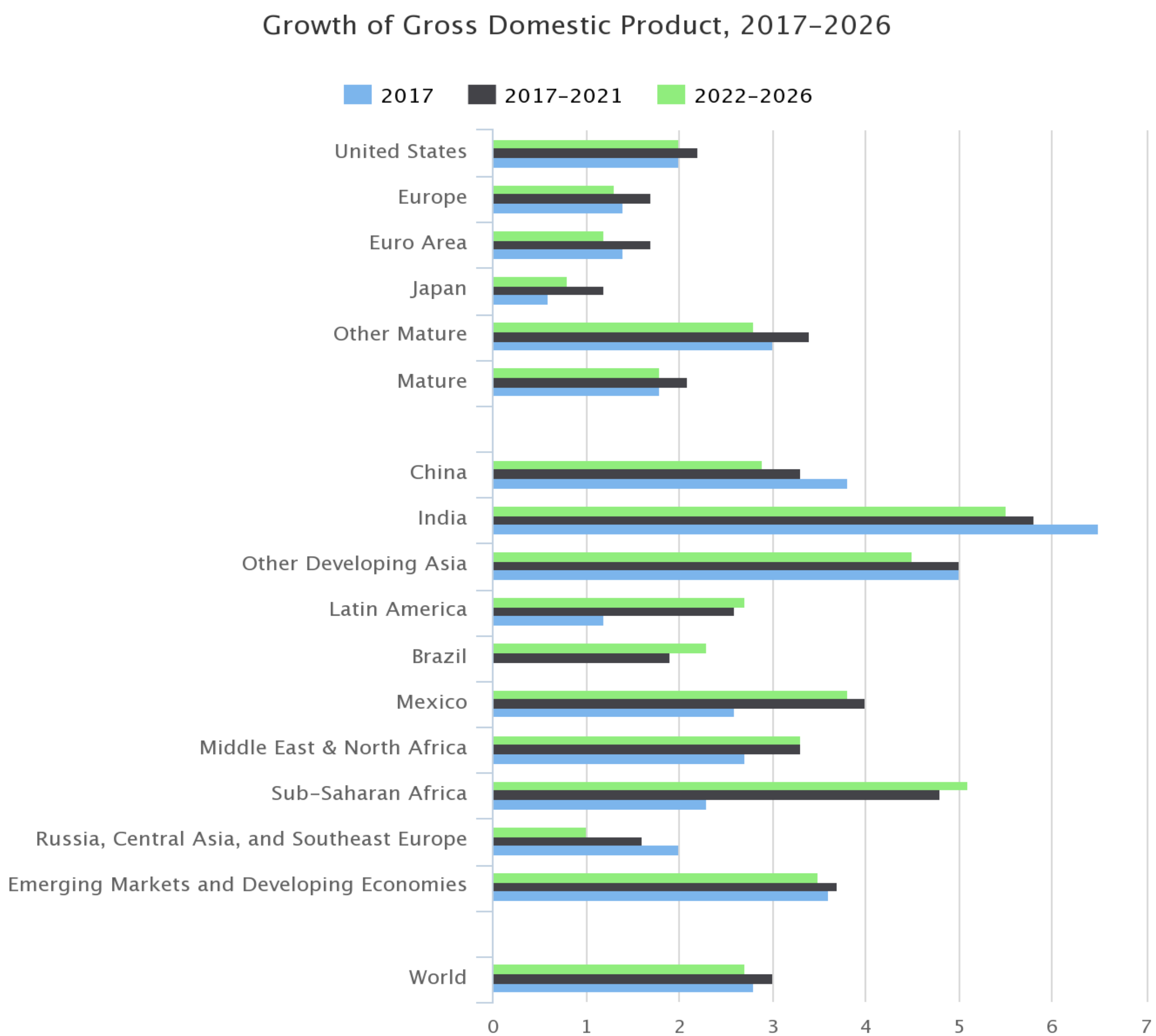
Outlook

We want to build from what we have been achieving.

Our current performance encourages us to extend our transformation programs and take more significant steps going forward.

While there will be cycles, and provided there will be no exceptional, unforeseeable circumstances, the improvements we are making within our business will move our underlying EBIT margin trend towards 10% over the next 5 years.

Economic environment: GDP Growth



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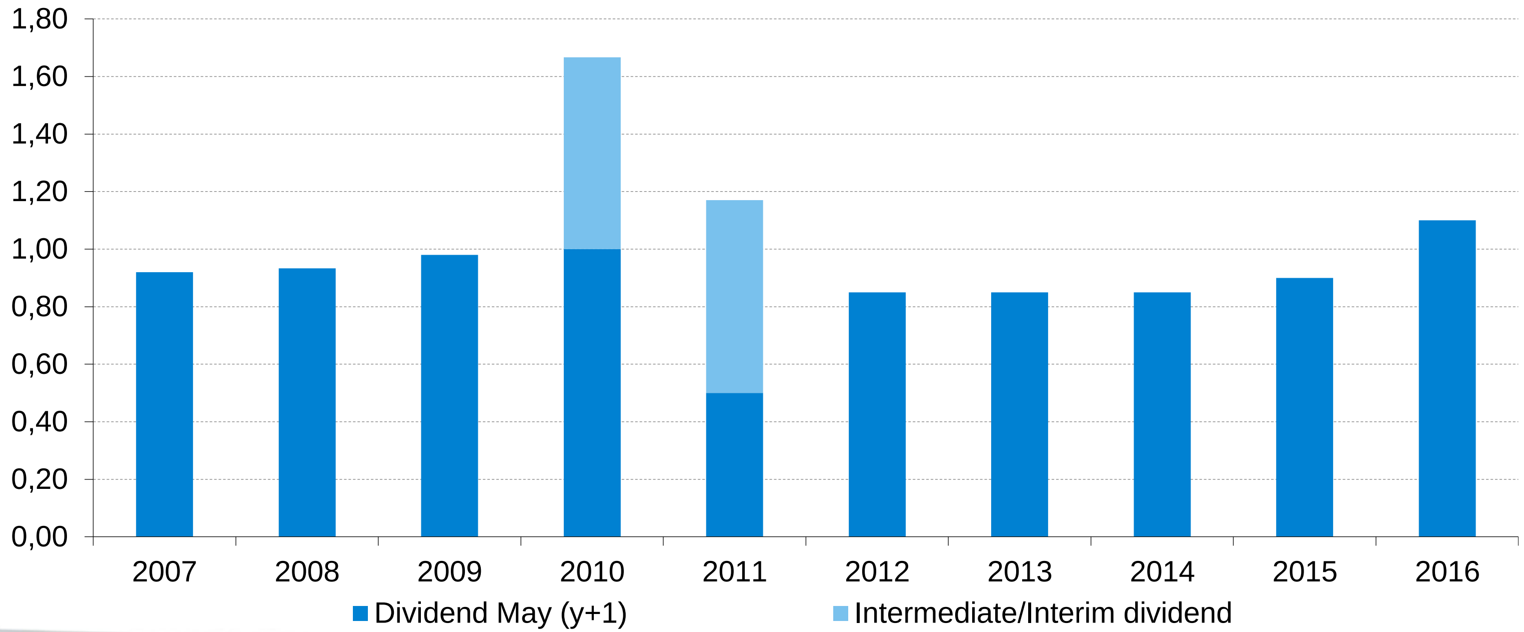
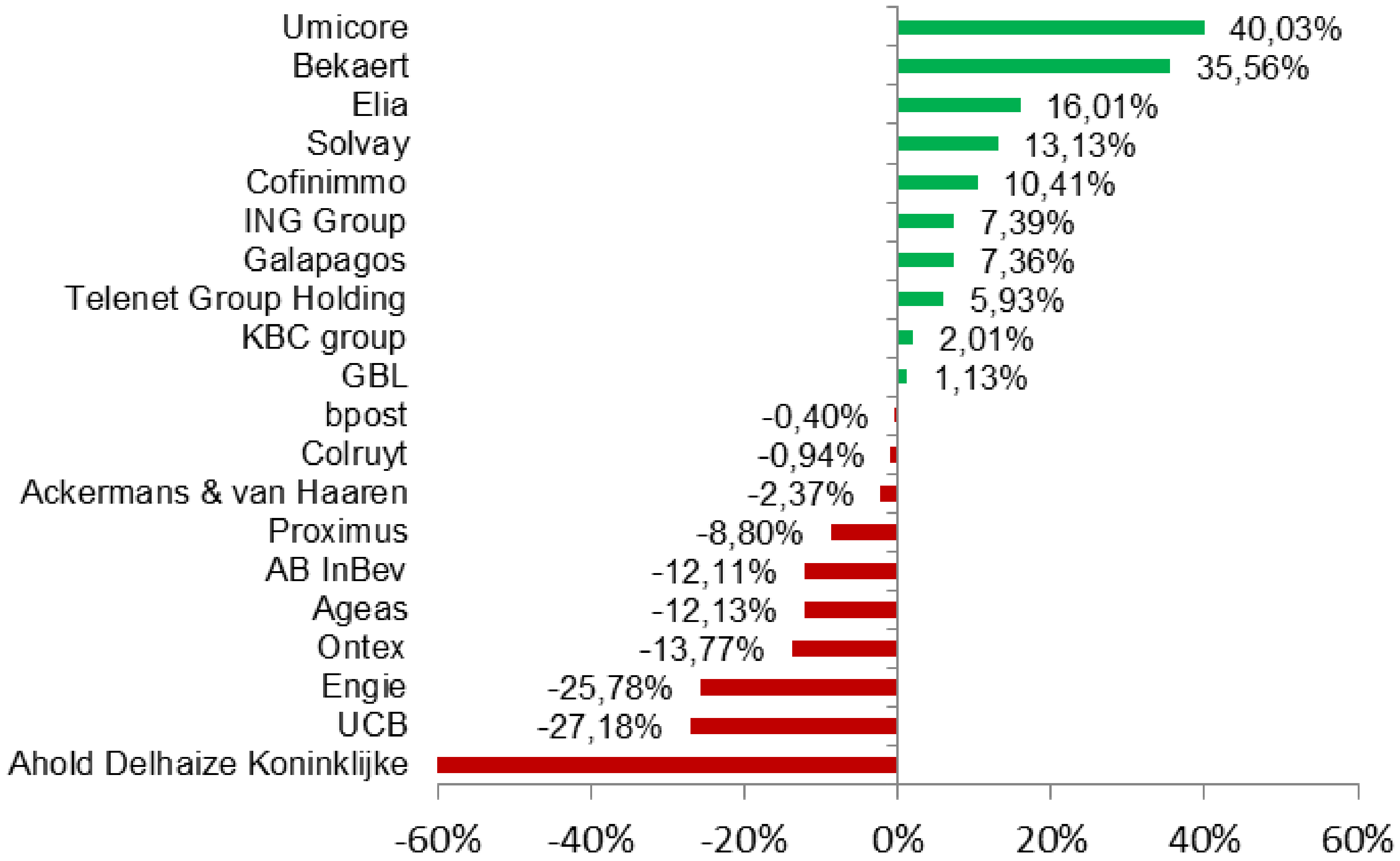
Dividend proposal

The Board of Directors confirms its confidence in the strategy and future perspectives of the company and will propose to the Annual General Meeting of Shareholders a gross dividend of **€ 1.10 per share**, compared with € 0.90 last year.



Our Share in 2016



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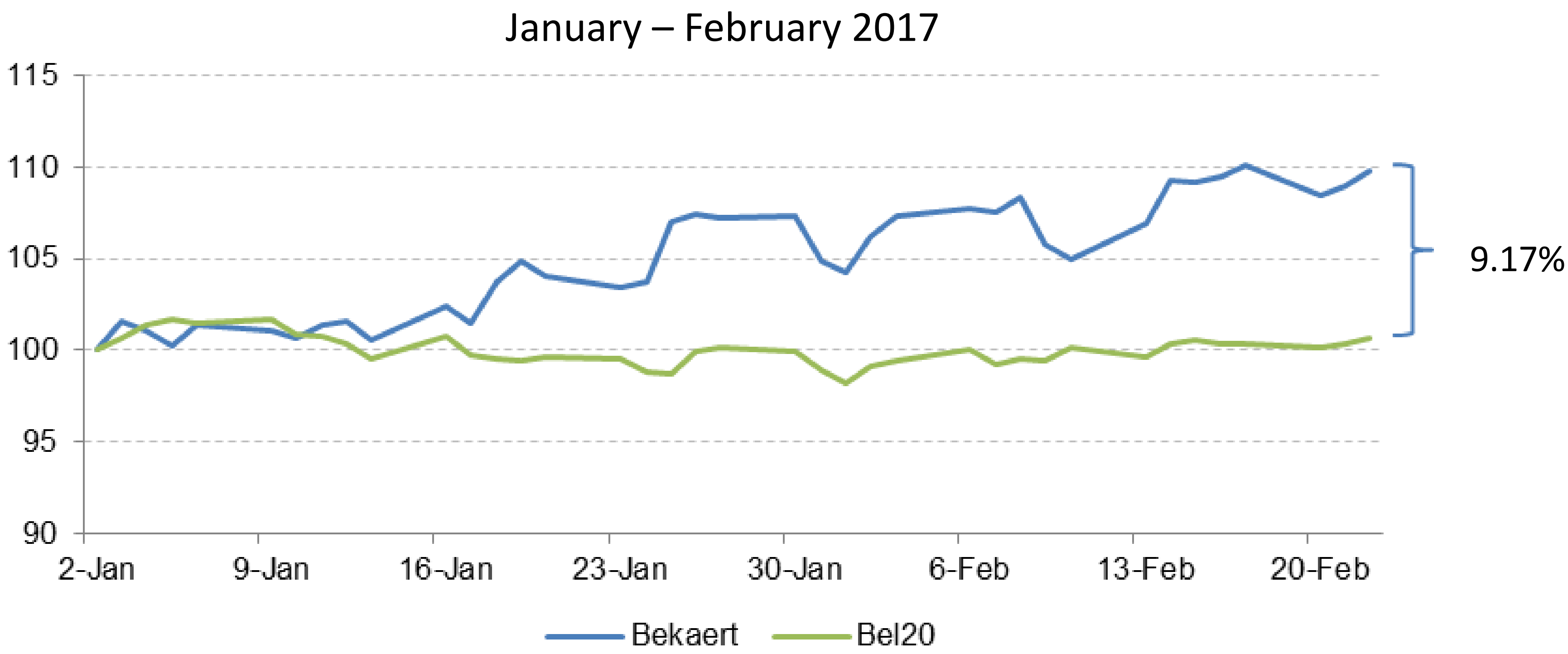
Our Share in 2017



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