Annual results 2018

Press Conference – Analyst Conference
Brussels, 1 March 2019

M. Taylor, Chief Executive Officer
F. Vromant, Chief Financial Officer ad interim

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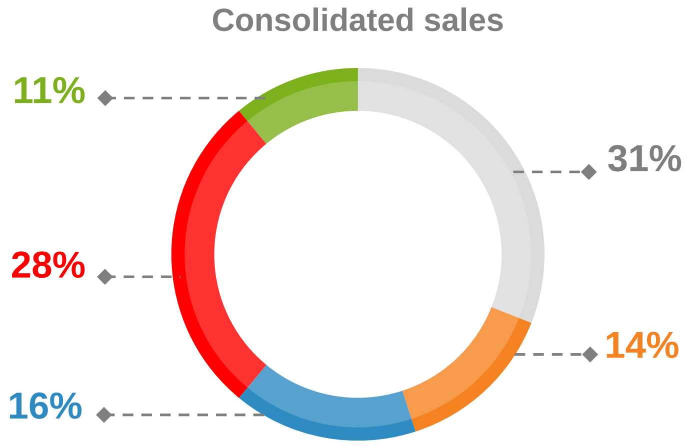
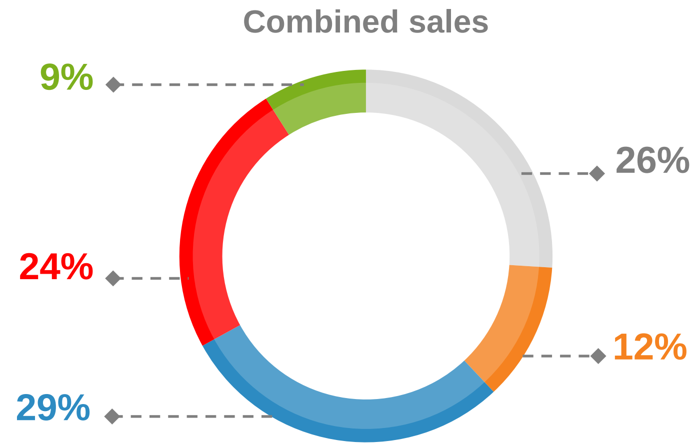
Bekaert reports € 210 million underlying EBIT on higher sales

- Consolidated sales of € 4.3 billion (+5.1%) and combined sales of € 5.1 billion (+5.5%)
- Underlying gross profit of € 585 million (13.6% margin) compared with € 704 million (17.2% margin) in 2017
- Underlying EBIT of € 210 million (4.9% margin) compared with € 301 million (7.3% margin)
- EBIT of € 147 million (3.4% margin) compared with € 318 million (7.8% margin)
- Underlying EBITDA of € 426 million (9.9% margin) compared with € 497 million (12.1% margin)
- Underlying ROCE of 8.0% compared with 11.2%
- € 198 million capital expenditure (PP&E) versus € 273 million in 2017
- Net debt of € 1 153 million. Net debt on underlying EBITDA was 2.7, higher than last year (2.3) but significantly down from 3.1 on 30 June 2018.
- Result for the period attributable to the Equity Holders of Bekaert: € 40 million, down from € 185 million in 2017
- EPS: € 0.70 compared with € 3.26

Consolidated sales 2018

Consolidated sales	2017	2018	Share	Variance	Organic	FX	M&A
EMEA	1 273	**1 335**	31%	**+5%**	+6%	-0%	-1%
North America	552	**618**	14%	**+12%**	+16%	-4%	-
Latin America	673	**692**	16%	**+3%**	+13%	-4%	-6%
Asia Pacific	1 145	**1 197**	28%	**+5%**	+8%	-3%	-
BBRG	455	**463**	11%	**+2%**	+6%	-4%	-
Total	**4 098**	**4 305**	**100%**	**+5%**	**+9%**	**-3%**	**-1%**





EMEA North America Latin America Asia Pacific BBRG

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Consolidated income statement: key figures

(in mio €)	Underlying		Reported	
	2017	2018	2017	2018
Sales	4 098	4 305	4 098	4 305
Cost of sales	-3 394	-3 720	-3 396	-3 779
Gross profit	**704**	**585**	**702**	**527**

- Sales increased by 5.1% reflecting:
  - +2.2 % organic volume growth.
  - +6.6 % net of passed-on higher wire rod prices and price-mix.
  - -1.3 % less sales from the Sumaré disposal last year and the divestment of Solaronics SA since early July 2018.
  - -2.5 % unfavorable impact of exchange rate movements.
- Gross profit decreased by € 119 million (-17.0 %) resulting in a margin on sales of 13.6%:
  - The decrease from divestments (€ -16.4 million) (Sumaré in 2017 and Solaronics SA in 2018).
  - Unfavorable impact from exchange rates (€ -25.4 million).
  - The drop in loose abrasive sawing wire (not compensated by diamond wire).
  - One-time adjustments in BBRG, mainly related to obsolete and slow moving inventories.
  - Margin erosion due to increase in raw material price not fully passed on to customers.
  - Start-up costs and inflation not fully compensated by cost improvements.
- Reported Gross Profit
  - Impact one-off items on gross profit is 58 million.

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Consolidated income statement: key figures

(in mio €)	Underlying		Reported	
	2017	2018	2017	2018
Gross profit	**704**	**585**	**702**	**527**
Selling expenses	-179	-178	-180	-180
Administrative expenses	-162	-149	-164	-167
R&D expenses	-63	-64	-63	-65
Other operating revenue and expenses	1	16	23	33
EBIT	**301**	**210**	**318**	**147**

- S, G, A and R&D decreased by € 13 million, a reduction to 9.1% as a percentage on sales (9.9% in 2017).
  - Increase in cost due to higher headcount in sales and labor inflation
  - Decrease in costs due to
    - Lower consultancy
    - FX effects
    - Reduced accrual for variable pay
  - The reported admin expenses in 2018 included 18 million EUR impact of one-offs.

- Other operating results
  - Higher royalties received from the Brazilian JV's and positive impact of change in LT employee benefit plan in Ecuador.
  - The reported figure included 17 million EUR impact of one-offs.

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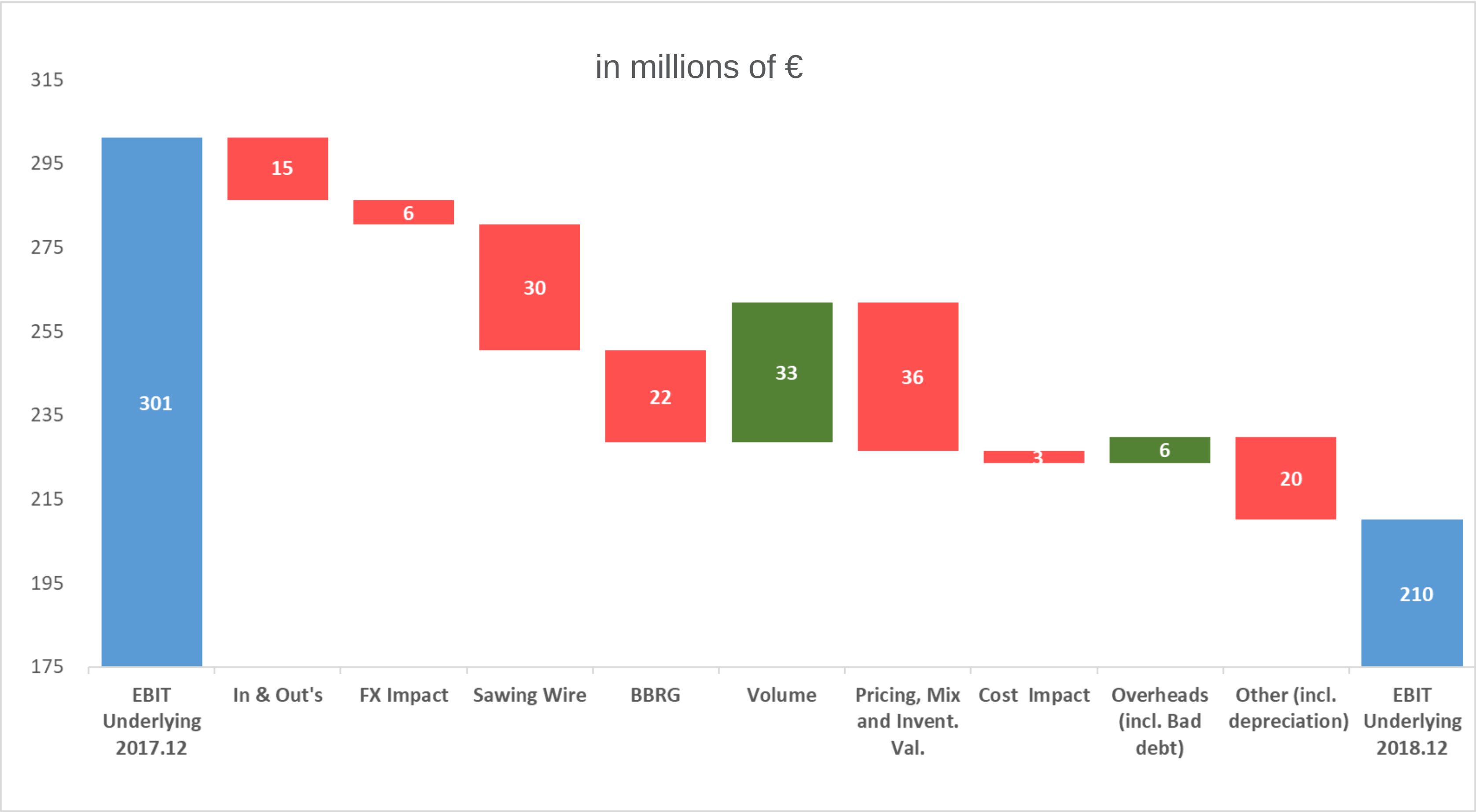
Ebit-U bridge between 2017 and 2018



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Consolidated income statement: key figures

(in mio €)	Underlying		Reported	
	2017	**2018**	**2017**	**2018**
EBIT	301	210	318	147
EBIT margin	7.3%	4.9%	7.8%	3.4%
EBITDA	497	426	510	387
EBITDA margin	12.1%	9.9%	12.4%	9.0%
ROCE	11.2%	8.0%	11.8%	5.6%

- Underlying operating performance:
  - The Ebit-U decreased by € -91 million. As the Ebit-U included a significant amount of one-time reserves for slow moving inventory items in BBRG and impairments of equipment, the Ebitda-U only decreased by € -71 million.
  - ROCE declined to 8.0% due to lower profitability, marginally offset by the impact of a somewhat lower average capital employed.
- Reported operating performance:
  - In 2018: € -63 million one-off items: incurred and accrued costs related to the closure of the Figline (Italy) plant, the closure of the Dramix plant in Costa Rica, impairments of assets in the sawing wire business and restructuring efforts in BBRG and the overhead structure in general, partially offset by the gain on the sale of land and buildings following the closing of the Huizhou (China) and Shah Alam (Malaysia) operations.
  - In 2017, one-off items were € +17 million positive and included the result on the sale of 55.5% of the shares in Bekaert Sumaré, partly offset by expenses related to restructuring programs.

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Segment reporting: EMEA

(in mio €)	Underlying				Reported	
	2017	2018	1H 2018	2H 2018	2017	2018
Consolidated sales	1 273	1 335	693	642	1 273	1 335
EBIT	141	114	68	46	144	74
EBIT margin	11.1%	8.5%	9.8%	7.1%	11.3%	5.5%
Depreciation, amortization and impairment losses	62	69	32	38	58	80
EBITDA	203	183	100	83	202	153
EBITDA margin	15.9%	13.7%	14.4%	13.0%	15.9%	11.5%
ROCE	20.8%	16.8%			21.2%	10.9%

- Sales increased by +4.8%, resulting from the aggregate of price/mix effects and higher wire rod prices (+6.8%), offset by an organic volume decline (-0.9%), a small adverse FX impact (-0.2%) and the impact of the divestment of Solaronics SA (-0.9%). The volume growth in rubber reinforcement activities was offset by a decrease in others product segments.
- The underlying EBIT margin decreased to 8.5% with margin erosion in almost all product segments, a low flexpipe business and start-up costs and operational inefficiencies in the plants with expansion programs in Central and Eastern Europe.

Segment reporting: North America

(in mio €)	Underlying				Reported	
	2017	2018	1H 2018	2H 2018	2017	2018
Consolidated sales	552	618	300	318	552	618
EBIT	33	25	14	11	33	25
EBIT margin	6.0%	4.0%	4.6%	3.5%	6.0%	4.0%
Depreciation, amortization and impairment losses	13	13	7	7	13	13
EBITDA	47	38	21	18	47	38
EBITDA margin	8.5%	6.2%	6.9%	5.6%	8.5%	6.2%
ROCE	14.9%	10.8%			14.9%	10.7%

- Sales increased by +12.0% and reflected strong organic volume growth (+5.7%) and a positive effect of passed-on higher wire rod prices and price-mix (+10.6%). The adverse FX effects (-4.4%) offset a large part of the growth.
- The volume growth was from strong demand in tire and equipment markets benefiting the rubber reinforcement platform. The total volume inthe other platforms was in line with 2017.
- Profitability went down due to margin erosion (wire rod price increase not fully passed on to customers), a weak agri market and supply chain issues with wire rod. FX changes had an additional adverse impact of € -0.9 million.

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Segment reporting: Latin America

(in mio €)	Underlying				Reported	
	2017	2018	1H 2018	2H 2018	2017	2018
Consolidated sales	673	692	344	348	673	692
EBIT	55	43	23	20	80	35
EBIT margin	8.2%	6.2%	6.6%	5.9%	11.9%	5.1%
Depreciation, amortization and impairment losses	20	17	9	8	20	19
EBITDA	74	61	32	28	100	55
EBITDA margin	11.1%	8.7%	9.3%	8.2%	14.8%	7.9%
ROCE	14.8%	12.9%			21.6%	10.6%

- The increase in sales was mainly due to passing on price increases of raw materials to customers and improvements in product mix (+ 14.3%). Total volume dropped by 1.8%. The sales were adversely impacted by the disposal effect of Sumaré (Brazil)
(- 6.1%) and adverse currency movements (-3.7%), resulting in a 2.7% higher topline.
- The change in Ebit-U compared to 2017 is mainly due to the elimination of the provision related to the wire rod supply contract with AM in 2017 (€ -10.4 million), a positive impact of the change in LT employee benefit plan in Ecuador (€ +3.7 million), higher royalties from the JV’s in Brazil (€ +5.4 million) and the negative impact of the disposal of Sumaré (€ -12 million). FX losses amounted to € -1.9 million.

Segment reporting: Asia Pacific

(in mio €)	Underlying				Reported	
	2017	2018	1H 2018	2H 2018	2017	2018
Consolidated sales	1 145	1 197	593	605	1 145	1 197
EBIT	107	86	40	46	104	54
EBIT margin	9.3%	7.2%	6.8%	7.7%	9.1%	4.5%
Depreciation, amortization and impairment losses	90	97	47	50	89	142
EBITDA	196	183	87	96	193	196
EBITDA margin	17.1%	15.3%	14.7%	15.9%	16.8%	16.3%
ROCE	10.9%	8.7%			10.7%	5.5%

- 7.7% organic sales growth in Asia Pacific, driven by good volume growth (+5.7%) and a positive aggregate effect of passed-on wire rod price increases and price-mix (+2%). The robust growth of rubber reinforcement activities across the region was partly offset by weaker volumes in other sectors, among which the sawing wire activities in China and the steel wire activities in Malaysia. Adverse currency effects (-3.1%) drove top line growth down to +4.6%.
- The main elements explaining the change in Ebit-U are (1) a strong improvement of the results in RR China, (2) bringing the ISW business from loss making to breakeven in China, (3) the drop in ebit in sawing wire, (4) the margin erosion in RR South East Asia, and (5) the lower profitability in the heating business in China.

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Segment reporting: Bridon-Bekaert Ropes Group (BBRG)

(in mio €)	Underlying				Reported	
	2017	2018	1H 2018	2H 2018	2017	2018
Consolidated sales	455	463	227	237	455	463
EBIT	15	-7	2	-9	12	-20
EBIT margin	3.3%	-1.5%	0.8%	-3.7%	2.7%	-4.3%
Depreciation, amortization and impairment losses	26	29	14	15	26	36
EBITDA	41	22	16	6	38	16
EBITDA margin	9.0%	4.8%	7.1%	2.6%	8.4%	3.4%
ROCE	3.1%	-1.5%			2.5%	-4.4%

- BBRG reported sales increase of +1.8% compared with 2017. Significant organic growth (+5.5%) which resulted from increased volumes (+4.9%) and a favorable price-mix (+0.6%) was offset by adverse currency movements (-3.7%).
- Underlying EBIT was significantly impacted by one-time adjustments, mainly related to obsolete and slow moving inventories.
- Reported EBIT and EBITDA included the cost of services to support the turnaround of the business (€ -5.7 million) and restructuring expenses (€ -7.4 million, mainly Brazil).

Consolidated income statement: key figures

(in mio €)	2017	2018
EBIT	**318**	**147**
Interest income / expense	-87	-85
Other financial income and expenses	-6	-26
Result before taxes	225	36
Income taxes	-69	-58
Result after taxes (consolidated companies)	**156**	**-22**

- Net interest expenses were slightly lower than last year following the BBRG debt refinancing, despite the increase in average gross debt.
- Other financial results were mainly related to BBRG with accounting losses, bank charges and fees all entailed by (1) the debt (re)financing and (2) the purchase of the minority.
- The lower income tax expense was from lower profitability in various tax paying entities (including the effect of the disposed Sumaré business) and from a higher withholding tax on foreign dividends incurred in 2017, offset by the release of part of the uncertain tax position reserves in 2017. Although the effective tax rate for all the profit making entities together was as low as 20.2%, the overall effective tax rate was 160% as only a marginal low tax offset could be realized from the loss making entities.

Consolidated income statement: key figures

(in mio €)	2017	2018
Result after taxes (consolidated companies)	156	-22
Share in the results of joint ventures and associates	27	25
Result for the period	**183**	**3**
Attributable to non-controlling interests	-2	-37
Attributable to equity holders of Bekaert	**185**	**40**

- The share in the results of joint ventures and associates were adversely affected by a weaker Brazilian real (-19% vs. 2017). In Brazil, the Rubber Reinforcement activities were hit by the renewal of the long-term supply agreement with Pirelli (important price erosion), while the Wire activities realized better volumes and margins than in 2017.
- Results attributable to non-controlling interests reflected the lower profitability in the companies where minority stakes are held by third parties. The substantial negative amount in 2018 was nearly fully due to BBRG (NCI recognized until October), while the results in other non-fully-owned companies outweighed each other.

Cash flow: key figures

(in mio €)	2017	2018
Gross cash from operations	356	279
Cash flows from operations	244	244
Cash flows from investment activities	-209	-102
Cash flows from financing activities	30	-157

- Cash flows from operations:
  - Ebit + non-cash elements: decreased from € 493 million to € 384 million (excl. gain on disposal of investments).
  - Cash flows related to provisions, employee obligations, taxes: € 105 million
  - The cash-out impact of the higher working capital amounted to € 29 million in 2018.
- Cash flows from investment activities:
  - Capital expenditure amounted to € 181 million (cash basis) and were € 91 million lower compared to last year.
  - The 2018 proceeds from the sale of land and buildings in China and Malaysia were € +20 million higher than the proceeds of the Sumaré business transaction in 2017.
- Cash flows from financing activities:
  - Net interests paid (€ -61 million), gross dividends paid (€ -65 million), treasury shares (€ -11 million) and the purchase of non-controlling interests (€ -7 million).
  - The Group entered into a bridge loan financing to repay (1) the loans provided by the lenders' syndicate to BBRG and (2) a matured Eurobond (€ 100 million).

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Working capital: key figures

(in mio €)	2017	2018
Inventories	780	932
Accounts receivable	910	851
Accounts payable	-802	-908
Working capital	888	875

- The important increase in inventories is due to (1) higher volumes in inventory and (2) a strong increase in wire rod prices.
- The lower accounts receivable is the result of a factoring program (impact € 73 million)
- The higher payables are the result of strong efforts to increase payment terms during the year and specific agreements with suppliers at year-end
- Movements in FX closing rates had a minimal impact on Working Capital (€ -3.5 million).
- Average working capital on sales was 20.4%, an improvement with 1% from year-end 2017 (21.4%).

Consolidated balance sheet: key figures

(in mio €)	2017	2018
Non-current assets	2 124	2 050
Current assets	2 321	2 400
Total assets	**4 445**	**4 449**
Equity	1 583	1 516
Non-current liabilities	1 449	907
Current liabilities	1 413	2 027
Total equity and liabilities	**4 445**	**4 449**

- Non-current assets: drop in PP&E with € 40 million
- Current assets: increase inventories with € 152 million, drop in receivables with € 59 million
- Equity: dividend pay-out of € 65 million; net profit of € 3 million
- Liabilities: the increase in current liabilities was mainly due to the refinancing of BBRG (bridgeloan). Move from non-current to current.

Ratios: key figures

	Underlying		Reported	
	2017	2018	2017	2018
Gross profit margin	17.2%	13.6%	17.1%	12.2%
EBITDA margin	12.1%	9.9%	12.4%	9.0%
EBIT margin	7.3%	4.9%	7.8%	3.4%
Sales on capital employed (asset rotation)	1.5	1.6	1.5	1.6
Return on capital employed (ROCE)	11.2%	8.0%	11.8%	5.6%
Return on equity (ROE)			11.5%	0.2%

(in mio €)	2017	2018
Net financial debt	1 151	1 153
Gearing (net debt to equity)	72.7%	76.0%
Net debt on EBITDA (underlying)	2.3	2.7
Net debt on EBITDA (reported)	2.3	3.0

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Key figures per share

(in €)	2017	2018
Share price	36.45	21.06
Number of existing shares	60 373 841	60 408 441
Book value	24.64	23.12
Earnings per share (EPS)	3.26	0.70
Weighted average number of shares	56 741 126	56 453 134

Outlook

The business conditions in various sectors have begun to trend somewhat lower as a result of tighter markets and postponed investments. We project the increased economic and political uncertainty to induce some growth moderation in most parts of the world in 2019. We are particularly cautious about the uncertainty that may be caused by Brexit in our markets and in the further developments of trade tensions globally.

Our actions addressing the business elements within our control:

- We are resolving the start-up issues in the various expansion programs and will see increased benefits from those investments in the course of 2019.
- Our results will no longer be affected by the loss generation and one-off closure impacts related to the plants that have been closed in Italy and Costa Rica.
- Due to severe price erosion in sawing wire markets, we do not project a significant contribution of the respective activities in 2019 and have impaired most of the related equipment and intangible assets in the financial statements of 2018.
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Outlook

- Despite the economic slowdown in China, induced by international trade tensions, the current performance of the rubber reinforcement platform seems to be offsetting the effects by regaining pricing power and market share.

- Bridon-Bekaert Ropes Group is showing underlying business improvement according to the profit restoration plan that has been put in place.

- Together with customers and suppliers, we have taken actions to mitigate the anticipated risks of a no-deal Brexit.

- Despite the transformation programs that have helped us improve our performance over the past years, we did not achieve the incremental cost effects we expected in 2018. Given the market environment and the disappointing results of 2018, we will look closely at improvement actions that will help reduce our cost structure and improve our performance.

- In 2019 we will continue to put in place cash generation actions to reduce the net debt leverage. We project to limit the capital expenditure to between € 130 and 150 million, down from almost € 200 million in 2018.

Dividend

- The Board of Directors will propose to the Annual General Meeting of Shareholders of 8 May 2019, a gross dividend of 70 eurocent.

- In line with the company's dividend policy, the proposed temporary dividend cut is reflecting the lower earnings and high debt leverage of the company.

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Outlook

From today's perspective, and provided there will be no exceptional, unforeseeable circumstances like a large-scale recession, we anticipate stable sales in 2019.

We are confident that our accelerated transformation drive and the improvement actions we are taking, will help us rebuild the underlying EBIT margin to above 7% over the medium term.

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Organizational and leadership changes

A new organizational structure is becoming effective today and consists of four **Business Units** and four **Global Functional Domains**.

Four Business Units:

- **Rubber Reinforcement**: serving industries that use tire cord, bead wire, hose reinforcement wire and transportation belt reinforcement
- **Steel Wire Solutions**: serving industrial, agricultural, consumer and construction markets with a broad range of steel wire products and solutions
- **Specialty Businesses**: including building products, fiber technologies, combustion technology and sawing wire
- **Bridon-Bekaert Ropes Group** (BBRG): including the ropes and advanced cords businesses

The business units will have global P&L accountability for strategy and delivery in their distinct areas and therefore have dedicated production facilities and commercial and technology teams within their respective organization. This will help them develop a customer-centric approach aligned with the specific needs and dynamics of their markets.

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Four Functional Domains: Finance, HR, Operations, Strategy

The functions will take a role as strategic business partners, accountable for providing specific expertise and services across the Group and ensuring the business has the right capability to deliver on short and long term goals.

Changes in the segment reporting

In line with the organizational changes, Bekaert's segment reporting will be changed in 2019. The new segmentation will drive transparency into the business dynamics of each reporting unit and replace the previous geographic segmentation, to which Bridon-Bekaert Ropes Group had been added as a separate reporting segment.

The Group's business units (BU) are characterized by BU-specific product and market profiles, industry trends, cost drivers, and technology needs tailored to specific industry requirements.

The term of office of the Chairman of the Board, **Bert De Graeve**, will expire at the close of the Annual General Meeting of Shareholders of 8 May 2019.

After 5 years in the Chair of the Board, Bert De Graeve seeks no re-election for a new term of 4 years.

The terms of office of the Directors Leon Bekaert, Grégory Dalle, Charles de Liedekerke, Hubert Jacobs van Merlen and Maxime Jadot will also expire at the close of the Annual General Meeting of Shareholders of 8 May 2019.

Mssrs Grégory Dalle, Charles de Liedekerke and Hubert Jacobs van Merlen are candidates for re-election. Mssrs Maxime Jadot and Leon Bekaert, both having served 25 years on the Board of Bekaert, seek no re-election. Ms Martina Merz, independent Director of the Board, will resign on 8 May 2019, given her recent appointment as Chair of Thyssenkrupp AG in addition to other mandates.

The new composition of the Board will reduce from 15 to 13 members. The responsibilities and composition of the Committees of the Board will be determined and announced when the abovementioned nominations become effective.

The Board of Directors announces:

the nomination of **Jürgen Tinggren** as the next Chairman.

His appointment as independent Director of the Board is subject to approval by the Annual General Meeting of Shareholders of 8 May 2019 and will, upon approval, take effect at the close of the Meeting.

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The Board of Directors announces:

the nomination of **Caroline Storme** as a member of the Board of Directors.

Her nomination, too, is subject to approval by the Annual General meeting of Shareholders
of 8 May 2019.

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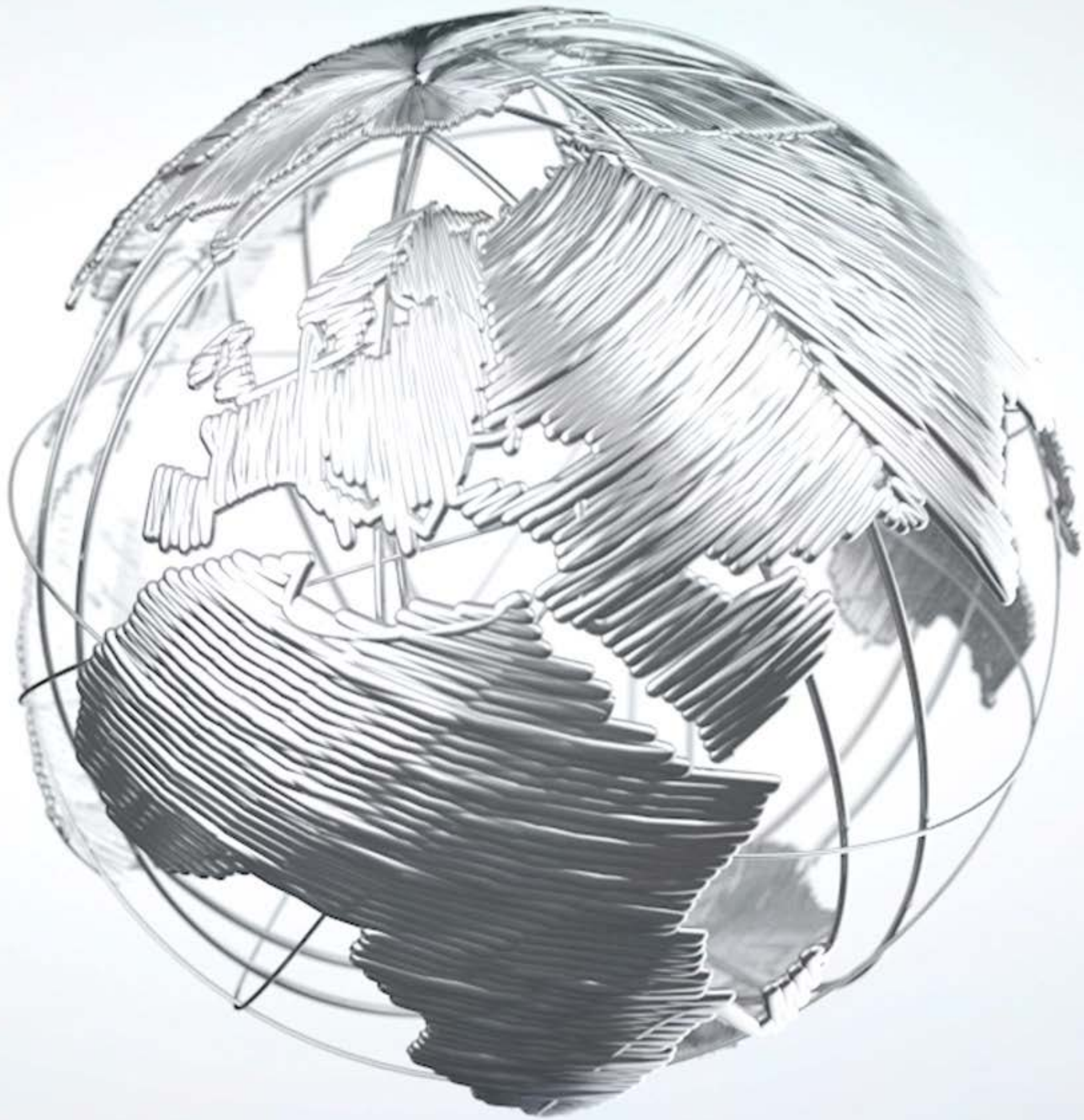

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