

Press release

Regulated information

27 July 2018 – 7:00 a.m. CET

Press - Investors
 Katelijn Bohez
 T +32 56 76 66 10
 www.bekaert.com

First half 2018 results

Bekaert reports € 111 million underlying EBIT on higher sales

Highlights¹

Bekaert posted an increase of 3% in consolidated revenue, reaching € 2 157 million in first-half sales. Solid volume growth (+3.9%) and the aggregate effect of passed-on wire rod price increases and price-mix (+5.4%) boosted an organic sales growth of +9.3%. Part of this growth was offset by adverse currency movements (-4.5%) and divestment effects (-1.9%).

While the underlying demand in automotive and industrial steel wire markets remains strong, the adverse margin effect from a number of factors that have weighed on our profitability since the second half of 2017 seem to be more impactful than we projected. As reported before, these factors include:

- Continued raw material price increases
- The impact of changes to trade policies
- The slow recovery of Bridon-Bekaert Ropes Group
- Continued low demand for loose abrasive sawing wire
- Delayed investment activity in our oil and gas markets
- Higher than anticipated start-up costs in the plant expansions in EMEA and Asia Pacific
- The loss making activities in Figline Valdarno, Italy
- Inflationary costs in general
- The difficult business climate in Latin America
- The divestment of Sumaré in Brazil

The combination of all those factors drove Underlying EBIT down by 37% to € 111 million.

Key Financials²

- Consolidated sales of € 2.2 billion (+3%) and combined³ sales of € 2.5 billion (+5%)
- Currency impact: € -95 million (-4.5%) on consolidated sales; € -151 million (-6.2%) on combined sales
- Underlying gross profit of € 311 million (14% margin) compared with € 382 million (18% margin)
- Underlying EBIT of € 111 million (5.1 % margin) compared with € 176 million (8.4% margin)
- EBIT of € 101 million (4.7% margin) compared with € 197 million (9.4% margin)
- Underlying EBITDA of € 214 million (9.9% margin) compared with € 277 million (13.2% margin)
- EBITDA of € 204 million (9.5% margin) compared with € 297 million (14.2% margin)
- Underlying ROCE of 8.1% compared with 13.1% and ROCE of 7.4% compared with 14.6%
- Net debt of € 1 339 million. Net debt on underlying EBITDA was 3.1, versus 2.2 for the same period last year and 2.3 at year-end 2017.

¹ All comparisons are made relative to the first half of 2017.

² The figures in this press release are provisional and unaudited.

³ Combined sales are sales of consolidated companies plus 100% of sales of joint ventures and associates after intercompany elimination.

Outlook

We recognize that our performance has been affected more than projected and we will accelerate our actions to progressively improve our profitability level. These actions include measures that we have announced before as well as other elements that will enable us to step up our performance.

- Turning around the profitability of weaker performing businesses and other restructuring actions include measures that take time. The related business plans are in development (eg, [Bridon-Bekaert Ropes Group turn-around](#)), in implementation (eg, [Bekaert Figline Valdarno plant closure](#)) or have recently been implemented (eg, the sale of the weaker performing [drying activities](#)). We are also determining the remediation steps for other underperforming entities and continue to review the potential of all our activities in order improve our business portfolio.
- The benefits from the ongoing expansion investments in EMEA and Asia Pacific, which are visible in our volumes and sales, are currently restricted at the profit level due to higher than anticipated start-up costs. We are implementing actions aimed at solving the issues and will achieve the intended margin improvement towards the end of the year.
- Passing on raw material price increases without delay continues to be a major challenge, but we are stepping up our efforts and are deploying new pricing tools to improve the pass-through more effectively. We are cautious about the cost inflation facing our US operations as a direct or indirect consequence of the imposed trade barriers.
- The launch of fixed abrasive (diamond) sawing wire, postponed two months as a result of recently enacted environmental regulations and audits in China, will enable us to restore our position in solar wafer markets.
- Cash generation actions are being put in place to bring net debt/underlying EBITDA to around 2.5 at year-end 2018. This includes an improvement of the operating result (underlying EBIT), strict working capital control measures, and a thorough review of all capital expenditure needs. We will continue to invest in future growth. Capital expenditure (PP&E) amounted to € 95 million in the first half of 2018 and we project to invest approximately € 200 million for the total of 2018 (versus € 273 million last year).

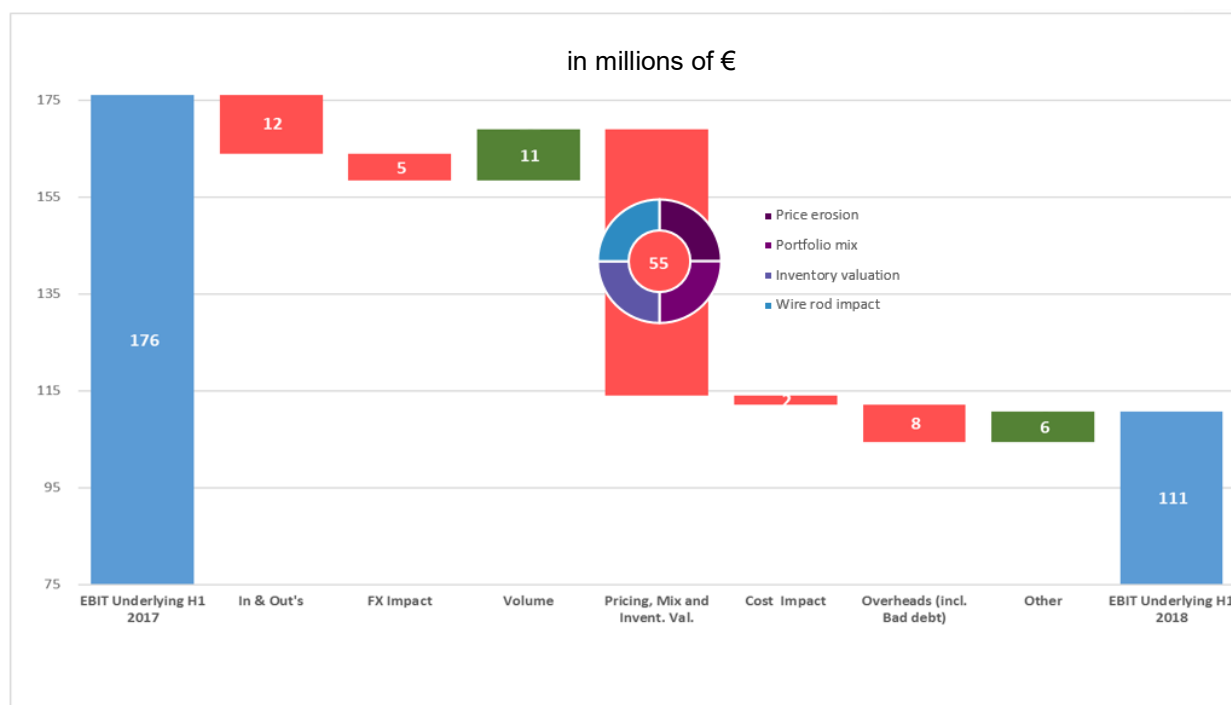
From today's perspective, we will not be able to achieve the same profitability level of last year for FY2018. Despite the projected normal seasonality of the second half of the year and the time needed to restore the margin impact from all factors that have been weighing on our profitability, we do expect to increase our underlying EBIT over the course of the second half. We also remain confident about our underlying strategy and the impact of our transformation actions, which are strengthening the fundamentals of our organization. We believe that these will allow us to move towards sustainable margin improvement over the coming years.

Financial Statements Summary

in millions of €	Underlying			Reported		
	1H 2017	2H 2017	1H 2018	1H 2017	2H 2017	1H 2018
Consolidated sales	2 095	2 003	2 157	2 095	2 003	2 157
Operating result (EBIT)	176	125	111	197	121	101
EBIT margin on sales	8.4%	6.2%	5.1%	9.4%	6.1%	4.7%
Depreciation, amortization and impairment losses	101	95	103	101	91	103
EBITDA	277	220	214	297	212	204
EBITDA margin on sales	13.2%	11.0%	9.9%	14.2%	10.6%	9.5%
ROCE	13.1%	11.2%	8.1%	14.6%	11.8%	7.4%
Combined sales	2 424	2 384	2 537	2 424	2 384	2 537

Underlying EBIT bridge

Bekaert's underlying EBIT for the first half of 2018 was € 111 million, reflecting a margin of 5.1%. In terms of organic growth, the main factors preventing us from turning improved volumes into incremental profitability were the pass-through effectiveness of increased wire rod prices, the higher than anticipated start-up costs in expansion programs, the weak margin performance of Bridon-Bekaert Ropes Group and some individual entities, and the adverse mix effect of an almost disappeared loose abrasive sawing wire business. The divestment of the high-margin Sumaré business in Brazil accounted for € -12 million and currency movements affected underlying EBIT by € -5 million.



Sales⁴

Bekaert achieved consolidated sales of € 2.2 billion and combined sales of € 2.5 billion, an increase of 3% and 5% respectively, compared with the same period of last year.

The consolidated sales growth consisted of +9.3% organic sales growth (+3.9% volume driven and +5.4% from the aggregate effect of wire rod price increases and price-mix), -4.5% adverse currency movements and -1.9% divestment effects.

Combined sales increased by 5%. The Brazilian joint ventures, which are included in combined sales, reported higher sales driven by the integration of the Sumaré business and the improved performance of the steel wire activities. Currency effects accounted for more than -6% at the combined sales level due to the depreciation of the real (-20% against the euro compared with the same period last year).

⁴ All comparisons are made relative to the figures of the first half of 2017, unless otherwise indicated.

Consolidated and combined sales by segment – in millions of €

Consolidated sales	1H 2017	1H 2018	Share	Variance	Organic	FX	M&A
EMEA	653	693	32%	+6%	+6%	-	-
North America	287	300	14%	+5%	+15%	-10%	-
Latin America	356	344	16%	-3%	+14%	-6%	-11%
Asia Pacific	565	593	27%	+5%	+10%	-5%	-
BBRG	234	227	11%	-3%	+3%	-6%	-
Total	2 095	2 157	100%	+3%	+9%	-4%	-2%

Combined sales	1H 2017	1H 2018	Share	Variance	Organic	FX	M&A
EMEA	646	691	27%	+7%	+7%	-	-
North America	287	300	12%	+5%	+15%	-10%	-
Latin America	692	726	29%	+5%	+16%	-11%	-
Asia Pacific	565	592	23%	+5%	+10%	-5%	-
BBRG	234	227	9%	-3%	+3%	-6%	-
Total	2 424	2 537	100%	+5%	+11%	-6%	-

Quarter-on-quarter sales 2018 – in millions of €

Consolidated sales	1 st Q	2 nd Q	Q2:Q1
EMEA	347	346	-
North America	144	156	+9%
Latin America	168	177	+5%
Asia Pacific	283	310	+9%
BBRG	110	116	+5%
Total	1 052	1 105	+5%

Combined sales	1 st Q	2 nd Q	Q2:Q1
EMEA	347	344	-1%
North America	144	156	+9%
Latin America	367	359	-2%
Asia Pacific	283	310	+9%
BBRG	110	116	+5%
Total	1 251	1 286	+3%

Segment reports

EMEA

Key figures (in millions of €)	Underlying			Reported		
	1H 2017	2H 2017	1H 2018	1H 2017	2H 2017	1H 2018
Consolidated sales	653	621	693	653	621	693
Operating result (EBIT)	81	60	68	80	64	34
EBIT margin on sales	12.3%	9.7%	9.8%	12.3%	10.3%	5.0%
Depreciation, amortization and impairment losses	31	31	32	31	28	43
EBITDA	111	91	100	111	91	78
EBITDA margin on sales	17.1%	14.7%	14.4%	17.0%	14.7%	11.2%
Segment assets	965	1 018	1 083	965	1 018	1 083
Segment liabilities	268	299	342	268	299	342
Capital employed	697	718	741	697	718	741
ROCE - FY2017 references		20.8%	18.7%		21.2%	9.4%

Bekaert's activities in EMEA achieved more than 6% sales growth, all of which was organic and mainly driven by passed-on wire rod price increases and price-mix effects.

Bekaert EMEA delivered solid results but the margin performance was lower due to higher losses generated by the Figline rubber reinforcement entity, continued weak demand in the flexpipe business and because of additional costs of hiring and training personnel needed for the ongoing expansion programs in Central and Eastern Europe.

Underlying EBIT was € 68 million at a margin of 9.8%. Reported EBIT dropped to 5.0% as a result of the one-off elements (€ -34 million) reflecting the operational losses incurred since the announcement of the closure of the Figline (Italy) plant, the impairment losses of the site's assets and the expenses accrued for the closure.

Capital expenditure (PP&E) was € 35 million and included capacity expansions and equipment upgrades across the region, particularly in Central and Eastern Europe.

While taking into account the usual seasonal effects of the second half of the year, we anticipate continued solid demand from most markets with the exception of oil and gas. On 9 July 2018 we announced the sale of all shares of Solaronics SA to Argynnis. The divestment of the drying activities is a confirmation of Bekaert's strategic focus on steel wire transformation and coating technologies, the Group's core competences, and of the Group's actions aimed at building a value creating business portfolio. The impact on consolidated sales will be limited as the activities represent less than 0.5% of the Group revenue.

NORTH AMERICA

Key figures (in millions of €)	Underlying			Reported		
	1H 2017	2H 2017	1H 2018	1H 2017	2H 2017	1H 2018
Consolidated sales	287	265	300	287	265	300
Operating result (EBIT)	21	13	14	21	13	14
EBIT margin on sales	7.2%	4.8%	4.6%	7.2%	4.8%	4.6%
Depreciation, amortization and impairment losses	7	6	7	7	6	7
EBITDA	28	19	21	28	19	21
EBITDA margin on sales	9.6%	7.2%	6.9%	9.6%	7.2%	6.9%
Segment assets	301	299	337	301	299	337
Segment liabilities	76	88	105	76	88	105
Capital employed	225	210	232	225	210	232
ROCE - FY2017 references		14.9%	12.6%		14.9%	12.6%

Bekaert's activities in North America achieved almost 5% sales growth. Currency movements (-10.5%) offset a large part of the firm organic growth (+15%). This organic growth was the result of the aggregate effect of passed-on higher wire rod prices and price-mix (+8%) and higher volumes (+7%) driven by continued good demand from automotive and equipment markets.

While the wire rod imports for our two rubber reinforcement plants in the US have not been affected by import duties in the first half of 2018, the prices did increase by about 10% over the past months. Domestic wire rod, used in our steel wire activity platforms, has become significantly more expensive due to increased demand for locally produced material. We have not been able to pass on the full price impact to our customers as we compete with import flows and integrated players in the US.

The underlying EBIT was € 14 million at a margin of 4.6%. Margins were heavily affected by wire rod price increases and other cost inflation that could not yet be passed on in our selling prices.

Capital expenditure (PP&E) amounted to € 6 million in North America.

We remain cautious about the effects of US trade policy changes and the growing uncertainty about the economic developments in general. Rubber reinforcement markets: prices of imported wire rod increase by 50% as of August 2018. This reflects the aggregate impact of changes in sourcing, wire rod price evolutions, import duties and anti-dumping tariffs. These price increases will be passed on to our customers. Other steel wire markets: the average price of domestic wire rod has increased about 30% compared with the same period last year. The pace and impact of the price adjustments will continue to add challenges in our highly competitive markets.

LATIN AMERICA

Key figures (in millions of €)	Underlying			Reported		
	1H 2017	2H 2017	1H 2018	1H 2017	2H 2017	1H 2018
Consolidated sales	356	317	344	356	317	344
Operating result (EBIT)	28	26	23	54	26	23
EBIT margin on sales	8.0%	8.4%	6.6%	15.1%	8.4%	6.6%
Depreciation, amortization and impairment losses	11	8	9	11	8	9
EBITDA	40	35	32	65	35	32
EBITDA margin on sales	11.1%	11.0%	9.3%	18.2%	11.0%	9.3%
Combined sales	692	703	726	692	703	726
Segment assets	448	453	492	448	453	492
Segment liabilities	117	120	160	117	120	160
Capital employed	331	332	332	331	332	332
ROCE - FY2017 references		14.8%	13.7%		21.6%	13.6%

In Latin America, the strong organic consolidated sales growth (+14%) was largely offset by the disposal effect (-11.5%) of the Sumaré integration within the JV partnership with ArcelorMittal since 1 July 2017. This effect is not visible in the combined sales for the first half (+5%) which include sales from both our consolidated entities and 100% of the revenue of the Brazilian joint ventures.

The translation effect of currency movements (-6%) drove consolidated sales down in Latin America. This was due to the devaluation of most currencies against the euro. The underlying organic growth (+14%) was driven by a much better price-mix and the effect of passed-on higher wire rod prices, while volumes were -3% below the level of last year due to subdued demand in various countries.

At constant exchange rates and scope of consolidation (excluding the impact of Sumaré) and provisions (excluding the positive effect of the 2018 reversal in pension plan provisions), the underlying EBIT increased by about +20%.

The significant underlying profitability improvement of our activities in Latin America reflects the impact of the transformation programs we have implemented in the region as well as an overall improved product portfolio.

Including all elements, underlying EBIT decreased by 20% to € 23 million, reflecting a margin of 6.6%. Reported EBIT was significantly lower than in the same period of 2017 as the result then included the gain on the sale of 55.5% of the shares of the Sumaré plant in Brazil.

Capital expenditure (PP&E) amounted to € 7 million and mainly related to investments in Chile.

Bekaert perceives a difficult but improving business climate in most countries and is confident that the actions taken to improve the business portfolio and commercial excellence of our businesses will continue to show their effect.

On the combined level, sales increased by +5% in Latin America. The strong organic growth (+17%) was largely offset by the translation effect of currency movements (-11%), mainly driven by the devaluation of the Brazilian real (almost -20% year-on-year).

ASIA PACIFIC

Key figures (in millions of €)	Underlying			Reported		
	1H 2017	2H 2017	1H 2018	1H 2017	2H 2017	1H 2018
Consolidated sales	565	580	593	565	580	593
Operating result (EBIT)	61	46	40	57	47	67
EBIT margin on sales	10.7%	7.9%	6.8%	10.1%	8.0%	11.2%
Depreciation, amortization and impairment losses	47	43	47	47	42	36
EBITDA	108	89	87	105	88	102
EBITDA margin on sales	19.0%	15.3%	14.7%	18.5%	15.2%	17.2%
Combined sales	565	579	592	565	579	592
Segment assets	1 191	1 209	1 286	1 191	1 209	1 286
Segment liabilities	175	197	208	175	197	208
Capital employed	1 015	1 012	1 078	1 015	1 012	1 078
ROCE - FY2017 references		10.9%	7.6%		10.7%	12.7%

Bekaert delivered 10% organic sales growth in Asia Pacific, all of which was driven by strong volumes. The aggregate effect of passed on wire rod price increases and price-mix was about neutral. Consolidated sales growth was tempered to +5% due to highly unfavorable currency movements (-5%) driven by a weaker Chinese renminbi (-4%) and Indian rupee (-12%) against the euro, compared with the average rates of the first half of 2017.

Several developments hindered us from repeating the margin performance of the same period last year:

- In the 2nd quarter, demand for loose abrasive sawing wire dropped to 15% of the sales realized in the 2nd quarter of last year (or to 25% for the first half, in a year-on-year comparison). The activity platform has become loss making because of the very low volumes.
- The ongoing expansion programs in the region generated additional start-up costs related to hiring and training personnel, as well as to the re-approval procedures with tire customers inducing quality test runs on new technologies and raw material sources. This was particularly the case in India.

These elements had an adverse effect on the overall profitability for the region in the first half of 2018.

Underlying EBIT decreased to € 40 million at a margin of 6.8%, below our performance of the first half of 2017.

Reported EBIT was € 67 million, up +18% from the same period last year to a margin of 11.2%, and included the gain on the sale of land and buildings related to the closing of the Huizhou plant in China and the Shah Alam plant in Malaysia.

Bekaert invested € 40 million in PP&E in the first half of the year, including expansion investments in China, India and Indonesia.

We expect the high run rate in our tire markets to continue in the second half of 2018. We project improved margin performance in our ongoing businesses by progressively improving our product mix and pricing power. We are implementing actions that will tail off the adverse impact of start-up costs related to the big expansion programs. The launch of fixed abrasive (diamond) sawing wire, postponed two months as a result of recently enacted environmental regulations and audits in China, will enable us to gradually restore a market and profit position in the solar wafer business.

BRIDON-BEKAERT ROPES GROUP

Key figures (in millions of €)	Underlying			Reported		
	1H 2017	2H 2017	1H 2018	1H 2017	2H 2017	1H 2018
Consolidated sales	234	221	227	234	221	227
Operating result (EBIT)	11	4	2	11	2	-1
EBIT margin on sales	4.7%	1.8%	0.8%	4.5%	0.8%	-0.3%
Depreciation, amortization and impairment losses	11	15	14	11	15	14
EBITDA	22	19	16	21	17	14
EBITDA margin on sales	9.4%	8.6%	7.1%	9.1%	7.6%	6.0%
Segment assets	591	574	572	591	574	572
Segment liabilities	87	108	115	87	108	115
Capital employed	504	465	457	504	465	457
ROCE - FY2017 references		3.1%	0.8%		2.5%	-0.3%

Bridon-Bekaert Ropes Group (BBRG) reported a sales decline of -3% compared with the first half of 2017. Significant currency movements (-6%) more than offset the organic growth (+2.7%) which resulted from increased volumes (+7.5%) and an unfavorable price-mix (-4.8%).

Underlying EBIT was € 1.8 million, further down from previous reporting periods due to the weak performance of the ropes business. The advanced cords business activities continued to perform well.

BBRG invested € 9 million in PP&E in the first half of 2018, more than half of which in advanced cords and the remainder in steel ropes manufacturing sites worldwide.

We project continued difficult market circumstances for the ropes business in the near future. As announced on 26 April 2018 (see investment update below), Bekaert is taking full ownership of BBRG and is implementing actions to accelerate the turnaround efforts of the business. A new business plan is being developed to significantly improve the performance of the ropes business. Brett Simpson has been appointed the new CEO to drive the business forward.

Investment update and other information

Bekaert is investing in all continents to expand and upgrade the production capacity to the levels needed. Investments in property, plant and equipment amounted to € 95 million in the first half of 2018 and included expansion programs in all segments, EMEA and Asia Pacific in particular.

Bridon-Bekaert Ropes Group news:

- On 26 April 2018, Bekaert and Ontario Teachers' Pension Plan (Ontario Teachers') reached an agreement in principle for the acquisition by Bekaert of Ontario Teachers' equity share in Bridon-Bekaert Ropes Group. The ropes and advanced cords business, whose financial results are included in the consolidated financial statements of Bekaert since the establishment of Bridon-Bekaert Ropes Group at the end of June 2016, will become a wholly owned subsidiary of Bekaert. Taking full control of Bridon-Bekaert Ropes Group fits within the ambitions and strategy of Bekaert to grow a global ropes and advanced cords business that will create significant value over time for customers worldwide and for the Bekaert Group.
- On 16 July 2018 the Board of Directors of Bridon-Bekaert Ropes Group announced the appointment of Mr Brett Simpson as the company's new Chief Executive Officer. The new CEO has significant business experience and expertise in leading and improving international technology based businesses and will join the company on 1 September 2018.

On 22 June 2018 Bekaert announced the decision to close the rubber reinforcement entity in Figline e Incisa Valdarno, Italy and cease all activities there. The competitive position of the Figline entity had been under pressure in recent years. Due to a significantly higher cost structure compared with other Bekaert rubber reinforcement plants in EMEA, the plant had not been able to generate a financially sustainable performance.

Net debt increased to € 1 339 million, up from € 1 151 million as at year-end 2017 and € 1 230 million as at 30 June 2017. Net debt on underlying EBITDA was 3.1, compared with 2.3 on 31 December 2017. The increase was due to lower profitability, higher working capital, and higher interest expenses, partially offset by the proceeds from sales of PP&E (land and buildings in Asia).

Between 1 January 2018 and 30 June 2018, Bekaert acquired 352 000 own shares pursuant to its share buy-back program (that was announced on 19 December 2017 and ran through 12 February 2018) and disposed of 50 751 treasury shares in connection with the exercise of stock options and the sale to members of the Bekaert Group Executive pursuant to the Bekaert Personal Shareholding Requirement Plan. As a result, Bekaert owned 3 937 529 treasury shares at 30 June 2018.

Events after the balance sheet date

On 9 July 2018, Bekaert and Argynnis Group AB of Sweden signed and closed an agreement regarding the sale of all shares of Solaronics SA to Argynnis. The transaction covers the production facility in Armentières (France) and an international sales & services network. An in-depth analysis showed that the further growth potential of the drying business of Bekaert Combustion Technologies be best secured by entrusting its future potential to an organization combining the competences of two complementary industry players. The divestment of the drying activities is a confirmation of Bekaert's strategic focus on steel wire transformation and coating technologies, the Group's core competences.

As disclosed in the Events after the balance sheet date chapter of the Bekaert 2017 Annual Report, BBRG met its financial covenants as at 31 December 2017, while the next testing date (with respect to the financial position as at end of Q1 2018) was planned in May 2018. In the meantime, BBRG obtained a waiver from its lenders' syndicate for the next two testing dates (with respect to the financial position as at end of Q1 and Q2 2018), while working on an update of its business plan, to be ready by end of September 2018. Consequently, in this interim reporting the (ring-fenced) BBRG loans are classified as current or non-current in accordance with the existing contractual financing arrangements. Moreover, in order to avoid partial and potentially misleading information, management will test the BBRG related goodwill and assets for impairment when the updated business plan becomes available.

Financial Review

Financial results

Bekaert achieved an operating result (EBIT-Underlying) of € 111 million (versus € 176 million in the first half of 2017). This equates to a margin on sales of 5.1% (versus 8.4%). The one-off items amounted to € -10 million (€ +21 million in 2017) and reflected the net impact of restructuring provisions and gains on the sale of land and buildings. Including these one-off items, EBIT was € 101 million, representing an EBIT margin on sales of 4.7% (versus € 197 million or 9.4%). Underlying EBITDA was € 214 million (9.9% margin) compared with € 277 million (13.2%) and EBITDA reached € 204 million, or an EBITDA margin on sales of 9.5% (versus 14.2%).

Underlying selling expenses decreased by € 4 million, mainly due to currency movements. Underlying administrative expenses increased by € 2 million: last year's numbers included a cost reduction as a result of the impact of the change in pension age in Belgium on long term employee benefit plans, and currency movements drove expenses down by € 3 million in 2018. Research and development expenses amounted to € 35 million and the one-off items relate to the restructuring of the R&D operations in Italy. Reported other operating results included the result on the sale of land and buildings as part of the closing of the Huizhou (China) operations and the operations in Shah Alam (Malaysia). In 2017 this mainly reflected the initial estimated positive result on the divestment of 55.5% of the shares in Bekaert Sumaré.

Interest income and expenses amounted to € -45 million, higher than last year (€ -41 million) due to an increase of gross debt, particularly in countries with higher interest rates. Other financial income and expenses amounted to € -0.5 million (versus € -35.4 million) and include the adjustment of the fair value of the conversion option embedded in the convertible bonds.

Taxation on profit amounted to € 23 million, compared with € 42 million in 2017. The effective tax rate increased from 34.8% for the first half of 2017 to 40.5% this year.

The share in the result of joint ventures and associated companies increased from € 9 million to € 12 million and includes the integration of the Sumaré business into the joint venture partnership in the first half of 2018.

The result for the period thus totaled € 45 million, compared with € 88 million in 2017. The result attributable to non-controlling interests decreased from € 1 million to € -10 million. After non-controlling interests, the result for the period attributable to the Group was € 54 million, down from € 87 million last year. Earnings per share amounted to € 0.96, a decrease from € 1.53 for the first half of 2017.

Balance sheet

As at 30 June 2018, shareholders' equity represented 33.9% of total assets, down from 35.3% in same period last year. The gearing ratio (net debt to equity) was 86.8% (versus 81.7%).

Net debt was € 1 339 million, up from € 1 151 million as at 31 December 2017 and up from € 1 230 million as at half year 2017. Net debt on underlying EBITDA was 3.1, compared with 2.2 on 30 June 2017.

Cash flow statement

Cash from operating activities amounted to € -17 million, compared with € 6 million in 2017, mainly due to lower EBITDA (€ -93 million), offset by lower cash-outs on income taxes (€ +13 million), working capital (€ +38 million) and other operating activities (€ +19 million).

Cash flow attributable to investing activities amounted to € -54 million (versus € -64 million), mainly due to lower capital expenditure on intangibles and PP&E (€ +7 million) and higher proceeds from divestments (€ +3 million), i.e. € 41 million in 2018 mainly relating to land and buildings of closed sites in China and Malaysia and € 38 million in 2017 mainly relating to the disposal of a 55.5% interest in Sumaré (Brazil).

Cash flows from financing activities totaled € -60 million (versus € -0.3 million in 2017), mainly due to lower proceeds from gross debt (€ -64 million), higher expenditure on treasury shares (€ -19 million) and lower expenditure on purchases of non-controlling interests (€ + 17 million).

NV Bekaert SA (statutory accounts)

The Belgium-based entity's sales amounted to € 200 million, compared with € 201 million in 2017. The operating profit before non-recurring results was € 29 million, compared with a result of € -1 million last year, while non-recurring result as part of the operating result was nil in 2018, compared to € 52 million last year. The financial result was € 9 million, which is stable on last year's € 9 million result at half year. This led to a result for the period of € +39 million compared with € +62 million in 2017.

Financial calendar

2018 half year results	27	July	2018
The CEO and CFO of Bekaert will present the results to the investment community at 02:00 p.m. CET. This conference can be accessed live upon registration via the Bekaert website in listen-only mode.			
Third quarter trading update 2018	15	November	2018
2018 full year results	1	March	2019

Notes

These unaudited and condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. This interim report only provides an explanation of events and transactions that are significant to understand the changes in financial position and financial performance since the last annual reporting period. It should therefore be read in conjunction with the consolidated financial statements for the financial year ended on December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

In preparing this interim report, the same accounting policies and methods of computation have been used as in the 2017 annual consolidated financial statements except for the changes entailed by the coming into effect of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. Both of these standards require retrospective restatement, but hold an option to report the restatement effect in the opening balance of the reporting period in which an entity first applies the standard. The Group elected that option and did not restate the comparative information for 2017; please refer to annex 10 'Restatement effects' in this interim report.

For an overview of the IFRS standards, amendments and interpretations that have become effective in 2018, please refer to the Statement of Compliance (section 2.1) of the financial review in the 2017 annual Report at <https://www.bekaert.com/en/investors/investor-news/annual-reports>.

Statement from the responsible persons

The undersigned states that, to the best of his knowledge:

- the consolidated condensed interim financial statements of NV Bekaert SA and its subsidiaries as of 30 June 2018 have been prepared in accordance with the International Financial Reporting Standards, and give a true and fair view of the assets and liabilities, financial position and results of the whole of the companies included in the consolidation; and
- the interim management report gives a fair overview of the information required to be included therein.

Beatriz García-Cos Chief Financial Officer
Matthew Taylor Chief Executive Officer

Disclaimer

This press release may contain forward-looking statements. Such statements reflect the current views of management regarding future events, and involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Bekaert is providing the information in this press release as of this date and does not undertake any obligation to update any forward-looking statements contained in this press release in light of new information, future events or otherwise. Bekaert disclaims any liability for statements made or published by third parties and does not undertake any obligation to correct inaccurate data, information, conclusions or opinions published by third parties in relation to this or any other press release issued by Bekaert.

Company Profile

Bekaert (www.bekaert.com) is a world market and technology leader in steel wire transformation and coating technologies. We pursue to be the preferred supplier for our steel wire products and solutions by continuously delivering superior value to our customers worldwide. Bekaert (Euronext Brussels: BEKB) is a global company with almost 30 000 employees worldwide, headquarters in Belgium and € 4.8 billion in combined revenue.

Annex 1: Press release 27 July 2018

Consolidated income statement

(in thousands of €)	1H 2017	2H 2017	1H 2018
Sales	2 095 439	2 002 808	2 156 620
Cost of sales	-1 717 136	-1 679 295	-1 864 200
Gross profit	378 303	323 513	292 420
Selling expenses	-95 402	-84 698	-91 275
Administrative expenses	-80 699	-83 712	-86 877
Research and development expenses	-32 374	-30 296	-37 011
Other operating revenues	42 889	5 974	47 210
Other operating expenses	-16 074	-9 362	-23 591
Operating result (EBIT)	196 643	121 419	100 876
EBIT - Underlying	176 040	125 055	110 716
Interest income	1 901	1 216	390
Interest expense	-42 793	-47 059	-45 250
Other financial income and expenses	-35 378	28 970	-462
Result before taxes	120 373	104 546	55 554
Income taxes	-41 914	-27 362	-22 522
Result after taxes (consolidated companies)	78 459	77 184	33 032
Share in the results of joint ventures and associates	9 428	17 429	11 583
RESULT FOR THE PERIOD	87 887	94 613	44 615
Attributable to			
the Group	86 886	97 834	54 266
non-controlling interests	1 001	-3 221	-9 651
EARNINGS PER SHARE (in € per share)			
Result for the period attributable to the Group			
Basic	1.53	1.72	0.96
Diluted	1.52	1.16	0.64

Annex 2: Press release 27 July 2018

Reconciliation of segment reporting

Key figures per segment

(in millions of €)	Underlying							1H 2018
	EMEA	N-AM	L-AM	APAC	GROUP ¹	BBRG	RECONC ²	
Consolidated sales ³	693	300	344	593	-	227	-	2 157
Operating result (EBIT)	68	14	23	40	-39	2	3	111
EBIT margin on sales	9.8%	4.6%	6.6%	6.8%	-	0.8%	-	5.1%
Depreciation, amortization, impairment losses	32	7	9	47	4	14	-10	103
EBITDA	100	21	32	87	-36	16	-6	214
EBITDA margin on sales	14.4%	6.9%	9.3%	14.7%	-	7.1%	-	9.9%
Segment assets	1 083	337	492	1 286	198	572	-293	3 675
Segment liabilities	342	105	160	208	98	115	-144	884
Capital employed	741	232	332	1 078	100	457	-149	2 791
ROCE	18.7%	12.6%	13.7%	7.6%	-	0.8%	-	8.1%
Capital expenditure - PP&E	35	6	7	40	4	9	-7	95

(in millions of €)	Reported							1H 2018
	EMEA	N-AM	L-AM	APAC	GROUP ¹	BBRG	RECONC ²	
Consolidated sales ³	693	300	344	593	-	227	-	2 157
Operating result (EBIT)	34	14	23	67	-39	-1	3	101
EBIT margin on sales	5.0%	4.6%	6.6%	11.2%	-	-0.3%	-	4.7%
Depreciation, amortization, impairment losses	43	7	9	36	4	14	-10	103
EBITDA	78	21	32	102	-36	14	-6	204
EBITDA margin on sales	11.2%	6.9%	9.3%	17.2%	-	6.0%	-	9.5%
Segment assets	1 083	337	492	1 286	198	572	-293	3 675
Segment liabilities	342	105	160	208	98	115	-144	884
Capital employed	741	232	332	1 078	100	457	-149	2 791
ROCE	9.4%	12.6%	13.6%	12.7%	-	-0.3%	-	7.4%
Capital expenditure - PP&E	35	6	7	40	4	9	-7	95

¹ Group and Business Support

² Reconciliations

³ In addition to the disaggregation of revenues by segment under IFRS 8 Operating Segments, management is still considering how to disaggregate its revenues in compliance with IFRS 15 Revenues from Contracts with Customers (§§ 114-115). The final conclusion will be presented in the 2018 Annual Report.

Annex 3: Press release 27 July 2018

Consolidated statement of comprehensive income

(in thousands of €)	1H 2017	1H 2018
Result for the period	87 887	44 615
Other comprehensive income (OCI)		
<i>Other comprehensive income reclassifiable to profit or loss in subsequent periods:</i>		
Exchange differences	-92 355	-19 203
Inflation adjustments	2 179	4 800
Cash flow hedges	23	450
Available-for-sale investments	-1 389	-
Deferred taxes relating to reclassifiable OCI	-3	-78
OCI reclassifiable to profit or loss in subsequent periods, after tax	-91 545	-14 031
<i>Other comprehensive income non-reclassifiable to profit or loss in subsequent periods:</i>		
Remeasurement gains and losses on defined-benefit plans	8 002	11 099
Net fair value gain (+)/loss (-) on investments in equity instruments designated as at fair value through OCI	-	-3 427
Deferred taxes relating to OCI not to be reclassified	515	-4 196
OCI non-reclassifiable to profit or loss in subsequent periods, after tax	8 517	3 476
Other comprehensive income for the period	-83 028	-10 555
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4 859	34 060
Attributable to		
the Group	17 269	43 582
non-controlling interests	-12 410	-9 522

Annex 4: Press release 27 July 2018

Consolidated balance sheet

(in thousands of €)

	31/Dec/17	30/Jun/18
Non-current assets	2 124 225	2 102 754
Intangible assets	125 217	119 365
Goodwill	149 895	149 628
Property, plant and equipment	1 501 028	1 491 055
Investments in joint ventures and associates	165 424	155 663
Other non-current assets	41 944	42 810
Deferred tax assets	140 717	144 233
Current assets	2 320 506	2 442 456
Inventories	779 581	903 948
Bills of exchange received	55 633	68 074
Trade receivables	836 809	923 055
Other receivables	126 876	136 689
Short-term deposits	50 406	50 812
Cash and cash equivalents	418 779	284 815
Other current assets	44 329	66 490
Assets classified as held for sale	8 093	8 573
Total	4 444 731	4 545 210
Equity	1 583 036	1 542 670
Share capital	177 690	177 690
Share premium	37 278	37 278
Retained earnings	1 529 268	1 533 459
Other Group reserves	-256 581	-291 572
Equity attributable to the Group	1 487 655	1 456 855
Non-controlling interests	95 381	85 815
Non-current liabilities	1 448 734	1 414 997
Employee benefit obligations	150 810	138 994
Provisions	46 074	42 873
Interest-bearing debt	1 180 347	1 178 196
Other non-current liabilities	27 121	10 829
Deferred tax liabilities	44 382	44 105
Current liabilities	1 412 961	1 587 543
Interest-bearing debt	454 401	527 183
Trade payables	665 196	754 145
Employee benefit obligations	130 204	119 584
Provisions	9 181	31 353
Income taxes payable	91 597	84 436
Other current liabilities	62 382	65 979
Liabilities associated with assets classified as held for sale	-	4 863
Total	4 444 731	4 545 210

Annex 5: Press release 27 July 2018

Consolidated statement of changes in equity

in thousands of €	Other Group reserves								Total
	Share capital	Share premium	Retained earnings	Treasury shares	Cumulative translation adjustments	Other reserves	Equity attributable to the Group	Non-controlling interests	
Balance as at 1 January 2017	177 612	36 594	1 432 394	-127 974	4 286	-55 820	1 467 092	130 801	1 597 893
Result for the period	-	-	86 886	-	-	-	86 886	1 001	87 887
Other comprehensive income	-	-	2 533	-	-78 576	6 426	-69 617	-13 411	-83 028
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	14	14
Effect of NCI purchase from Ansteel (China)	-	-	-18 268	-	17	-	-18 251	1 231	-17 020
Effect of other changes in group structure	-	-	84	-	1	-	85	-66	19
Equity-settled share-based payment plans	-	-	2 278	-	-	-	2 278	62	2 340
Treasury shares transactions	-	-	-19 897	27 707	-	-	7 810	-	7 810
Dividends	-	-	-62 429	-	-	-	-62 429	-27 559	-89 988
Balance as at 30 June 2017	177 612	36 594	1 423 581	-100 267	-74 272	-49 394	1 413 854	92 073	1 505 927
Balance as at 1 January 2018 (as previously reported)	177 690	37 278	1 529 268	-103 037	-105 723	-47 821	1 487 655	95 381	1 583 036
Adjustments (see annex 10)	-	-	7 655	-	-	-10 240	-2 585	-	-2 585
Balance as at 1 January 2018	177 690	37 278	1 536 923	-103 037	-105 723	-58 061	1 485 070	95 381	1 580 451
Result for the period	-	-	54 266	-	-	-	54 266	-9 651	44 615
Other comprehensive income	-	-	5 352	-	-17 990	1 954	-10 684	129	-10 555
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	213	213
Effect of other changes in group structure	-	-	37	-	4	-	41	-41	-
Equity-settled share-based payment plans	-	-	2 752	-	-	-	2 752	62	2 814
Treasury shares transactions	-	-	-2 828	-8 718	-	-	-11 546	-	-11 546
Dividends	-	-	-63 044	-	-	-	-63 044	-278	-63 322
Balance as at 30 June 2018	177 690	37 278	1 533 458	-111 755	-123 709	-56 107	1 456 855	85 815	1 542 670

Annex 6: Press release 27 July 2018

Consolidated cash flow statement

(in thousands of €)	1H 2017	1H 2018
Operating result (EBIT)	196 643	100 876
Non-cash items included in operating result	97 585	131 462
Investing items included in operating result	-17 255	-31 549
Amounts used on provisions and employee benefit obligations	-23 492	-17 519
Income taxes paid	-48 533	-35 837
Gross cash flows from operating activities	204 948	147 433
Change in operating working capital	-185 898	-147 631
Other operating cash flows	-12 923	-17 088
Cash flows from operating activities	6 127	-17 286
Other portfolio investments	-249	-89
Proceeds from disposals of investments	37 596	-
Dividends received	892	1 141
Purchase of intangible assets	-522	-1 572
Purchase of property, plant and equipment	-102 553	-94 768
Other investing cash flows	796	40 945
Cash flows from investing activities	-64 040	-54 343
Interest received	2 015	443
Interest paid	-8 786	-20 583
Gross dividend paid	-87 253	-63 183
Proceeds from non-current interest-bearing debt	52 149	43 219
Repayment of non-current interest-bearing debt	-28 645	-47 628
Cash flows from/to(-) current interest-bearing debt	77 501	41 074
Treasury shares transactions	7 810	-11 546
Other financing cash flows	-15 114	-2 058
Cash flows from financing activities	-323	-60 262
Net increase or decrease (-) in cash and cash equivalents	-58 236	-131 891
Cash and cash equivalents at the beginning of the period	365 546	418 779
Effect of exchange rate fluctuations	-15 914	-2 069
Cash and cash equivalents reclassified from held for sale	8 241	-4
Cash and cash equivalents at the end of the period	299 637	284 815

Annex 7: Press release 27 July 2018

Additional key figures

(in € per share)	1H 2017	1H 2018
Number of existing shares at 30 June	60 347 525	60 373 841
Book value	23.43	24.13
Share price at 30 June	44.55	27.80
Weighted average number of shares		
Basic	56 643 016	56 449 661
Diluted	57 297 828	65 920 214
Result for the period attributable to the Group		
Basic	1.53	0.96
Diluted	1.52	0.64
(in thousands of € - ratios)		
EBITDA	297 238	204 011
EBITDA - Underlying	276 981	213 750
Depreciation and amortization and impairment losses	100 595	103 135
Capital employed	2 712 929	2 791 478
Operating working capital	985 456	1 031 431
Net debt	1 229 820	1 338 896
EBIT on sales	9.4%	4.7%
EBIT - Underlying on sales	8.4%	5.1%
EBITDA on sales	14.2%	9.5%
EBITDA - Underlying on sales	13.2%	9.9%
Equity on total assets	35.3%	33.9%
Gearing (net debt on equity)	81.7%	86.8%
Net debt on EBITDA	2.1	3.3
Net debt on EBITDA - Underlying	2.2	3.1
NV Bekaert SA - Statutory Profit and Loss Statement		
(in thousands of €)		
Sales	200 809	199 540
Operating result before non-recurring items	-627	28 993
Non-recurring operational items	51 577	17
Operating result after non-recurring items	50 950	29 010
Financial result before non-recurring items	10 036	9 384
Non-recurring financial items	-588	-612
Financial result after non-recurring items	9 448	8 772
Profit before income taxes	60 398	37 782
Income taxes	1 831	1 616
Result for the period	62 229	39 398

Annex 8: press release 27 July 2018

EBIT Reported and Underlying

(in thousands of €)	1H 2017 Reported	1H 2017 Underlying	1H 2017 One-offs	1H 2018 Reported	1H 2018 Underlying	1H 2018 One-offs
Sales	2 095 439	2 095 439		2 156 620	2 156 620	
Cost of sales	-1 717 136	-1 713 760	-3 376	-1 864 200	-1 845 124	-19 076
Gross profit	378 303	381 679	-3 376	292 420	311 496	-19 076
Selling expenses	-95 402	-95 391	-11	-91 275	-91 128	-147
Administrative expenses	-80 699	-80 299	-400	-86 877	-81 961	-4 916
Research and development expenses	-32 374	-32 355	-19	-37 011	-35 179	-1 832
Other operating revenues	42 889	10 301	32 588	47 210	14 632	32 578
Other operating expenses	-16 074	-7 895	-8 179	-23 591	-7 144	-16 447
Operating result (EBIT)	196 643	176 040	20 603	100 876	110 716	-9 840
EBIT - Underlying	176 040	176 040		110 716	110 716	

Annex 9: Press release 27 July 2018

Additional disclosures on fair value of financial instruments

In accordance with IFRS⁵, specific interim disclosures are required regarding the fair value of each class of financial assets and financial liabilities and the way their fair value was measured. Furthermore⁶, because of the initial application of IFRS 9, Financial Instruments, following information needs to be disclosed for each class of financial assets and financial liabilities as at the date of initial application:

- (a) the original measurement category and carrying amount determined in accordance with IAS 39, Financial Instruments: Recognition and Measurement;
- (b) the new measurement category and carrying amount determined in accordance with IFRS 9.

The following tables list the different classes of financial assets and financial liabilities with their carrying amounts in the balance sheet and their respective fair value and analyzed by their measurement category under both IAS 39 and IFRS 9.

Cash and cash equivalents, short-term deposits, trade and other receivables, bills of exchange received, loans and receivables primarily have short terms to maturity; hence, their carrying amounts at the reporting date approximate the fair values. For the same reason, the carrying amounts of trade and other payables also approximate their fair values. Furthermore, the Group has no exposure to collateralized debt obligations (CDOs).

Abbreviations used are explained below:

Abbreviation	Category in accordance with IAS 39
L&R	Loans & Receivables
AfS	Available for Sale
HfT	Financial assets or financial liabilities Held for Trading
FLMaAC	Financial Liabilities Measured at Amortized Cost
Hedge accounting	Hedge accounting
FVO	Fair Value Option: financial liabilities designated as at fair value through profit or loss
Category in accordance with IFRS 9	
AC	Financial assets or financial liabilities at amortized cost
FVTOCI/Eq	Equity instruments designated as at fair value through OCI
FVTPL/Mnd	Financial assets mandatorily measured at fair value through profit or loss
HfT	Financial liabilities Held for Trading
FVO	Fair Value Option: financial liabilities designated as at fair value through profit or loss

⁵ IAS 34, Interim Reporting, §16(j), referring to IFRS 7, Financial Instruments: Disclosures, §§ 25, 26 and 28-30, and to IFRS 13, Fair Value Measurement, §§ 91-93(h), 94-96, 98 and 99.

⁶ IFRS 7, §42i.

Carrying amount vs fair value in thousands of €	Category in accordance with IAS 39	Category in accordance with IFRS 9	31-Dec-17		30-Jun-18	
			Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Non-current financial assets						
- Financial & other receivables and cash guarantees	L&R	AC	12 326	12 326	11 190	11 190
- Equity investments	AfS	FVTOCI/Eq	16 400	16 400	13 032	13 032
- Derivatives						
- Held for trading	HfT	FVTPL/Mnd	-	-	1 548	1 548
Current financial assets						
- Financial receivables and cash guarantees	L&R	AC	28 462	28 462	44 011	44 011
- Cash and cash equivalents	L&R	AC	418 779	418 779	284 815	284 815
- Short term deposits	L&R	AC	50 406	50 406	50 812	50 812
- Trade receivables	L&R	AC	836 809	836 809	923 055	923 055
- Bills of exchange received	L&R	AC	55 633	55 633	68 074	68 074
- Other current assets						
- Other receivables	L&R	AC	20 015	20 015	19 108	19 108
- Derivatives						
- Held for trading	HfT	FVTPL/Mnd	6 159	6 159	5 441	5 441
Liabilities						
Non-current interest-bearing debt						
- Finance leases	FLMaAC	AC	2 564	2 564	2 258	2 258
- Credit institutions	FLMaAC	AC	595 805	595 805	586 339	586 339
- Bonds	FLMaAC	AC	581 978	621 083	589 599	615 515
Current interest-bearing debt						
- Finance leases	FLMaAC	AC	582	582	607	607
- Credit institutions	FLMaAC	AC	353 819	353 819	426 576	426 576
- Bonds	FLMaAC	AC	100 000	103 112	100 000	101 555
Other non-current liabilities						
- Conversion option	HfT	HfT	17 545	17 545	343	343
- Put option	FVO	FVO	9 133	9 133	10 333	10 333
- Other derivatives	HfT	HfT	290	290	-	-
- Other payables	FLMaAC	AC	153	153	153	153
Trade payables	FLMaAC	AC	665 196	665 196	754 145	754 145
Other current liabilities						
- Other payables	FLMaAC	AC	10 394	10 394	6 866	6 866
- Derivatives						
- Held for trading	HfT	HfT	6 057	6 057	9 226	9 226
- Hedging instruments						
	Hedge accounting	HfT	468	468	-	-
Aggregated by category in accordance with IFRS 9						
Financial assets						
		AC	1 422 431	1 422 431	1 401 065	1 401 065
		FVTOCI/Eq	16 400	16 400	13 032	13 032
		FVTPL/Mnd	6 159	6 159	6 988	6 988
Financial liabilities						
		AC	2 310 491	2 352 708	2 466 543	2 494 014
		HfT	24 360	24 360	9 569	9 569
		FVO	9 133	9 133	10 333	10 333

Financial instruments by fair value measurement hierarchy

The fair value measurement of financial assets and financial liabilities can be characterized in one of the following ways:

- *Level 1* fair value measurement: the fair values of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices in active markets for identical assets and liabilities. This relates to the equity investment in Shougang Concord Century Holdings Ltd, which was an available-for-sale financial asset under IAS 39 and has been designated as at FVTOCI under IFRS 9.
- *Level 2* fair value measurement: the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. This mainly relates to derivative financial instruments. Forward exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contracts. Interest-rate swaps are measured at the present value of estimated future cash flows and discounted using the applicable yield curves derived from quoted interest rates. The fair value measurement of cross-currency interest-rate swaps is based on discounted estimated cash flows using quoted forward exchange rates, quoted interest rates and applicable yield curves derived therefrom.
- *Level 3* fair value measurement: the fair values of the remaining financial assets and financial liabilities are derived from valuation techniques which include inputs that are not based on observable market data. The share conversion option in the convertible bond issued in June 2016 is a non-closely related embedded derivative that has to be separated from the host debt instrument and measured at fair value through profit or loss. The fair value of the conversion option is determined as the difference between the fair value of the convertible bond as a whole (mid – source: Bloomberg) and the fair value of the host debt contract using a valuation model based on the prevailing market interest rate for similar plain vanilla debt instruments. The main factors determining the fair value of the convertible bond are the Bekaert share price (level 1), the reference swap rate (level 2), the volatility of the Bekaert share (level 3) and the credit spread (level 3). Consequently, the conversion option is classified as a level-3 financial instrument. Similarly, the fair value of the put option relating to non-controlling interests has not been based on observable market data, but on the most recent business plan for the entities involved. The fair value was established using discounted cash flows.

The following table shows the sensitivity of the fair value calculation of the conversion option to the most significant level-3 input.

Sensitivity analysis in thousands of €	Change Impact on derivative liability	
Volatility	3.5% increase by	722
	-3.5% decrease by	-266
Credit spread	25 bps increase by	2 640
	-25 bps decrease by	n.a. (°)

(°) not applicable.

The following table provides an analysis of financial instruments measured at fair value in the balance sheet, in accordance with the fair value measurement hierarchy described above:

1H 2018

in thousands of €	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured as at fair value through profit or loss				
<i>Derivative financial assets</i>	-	6 988	-	6 988
Equity instruments designated as at fair value through OCI				
<i>Equity investments</i>	5 193	7 839	-	13 032
Total assets	5 193	14 827	-	20 020
Financial liabilities held for trading				
<i>Conversion option</i>	-	-	343	343
<i>Other derivative financial liabilities</i>	-	9 226	-	9 226
Financial liabilities designated as at fair value through profit or loss				
<i>Put option relating to non-controlling interests</i>	-	-	10 333	10 333
Total liabilities	-	9 226	10 676	19 901

2017

in thousands of €	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured as at fair value through profit or loss				
<i>Derivative financial assets</i>	-	6 159	-	6 159
Equity instruments designated as at fair value through OCI				
<i>Equity investments</i>	6 562	9 838	-	16 400
Total assets	6 562	15 997	-	22 559
Financial liabilities held for trading				
<i>Conversion option</i>	-	-	17 545	17 545
<i>Other derivative financial liabilities</i>	-	6 815	-	6 815
Financial liabilities designated as at fair value through profit or loss				
<i>Put option relating to non-controlling interests</i>	-	-	9 133	9 133
Total liabilities	-	6 815	26 678	33 493

Annex 10: Press release 27 July 2018

Restatement Effects

Following elements have given rise to restatements and/or reclassifications in these financial statements:

1. The coming into effect of IFRS 9 'Financial instruments' as from 1 January 2018 entailed two restatements. In accordance with the option elected by the Group not to restate comparative information for 2017 in the transition to the new standard, both restatements were accounted for through the 2018 opening balance:
 - a. Under the new IFRS 9 guidance on how to account for a modification of financial liabilities that does not lead to derecognition, the difference between the amortized cost of the financial liability at the date of modification and the discounted modified cash flows at the initial effective interest rate should be recognized in profit or loss, while under IAS 39 this difference was amortized over the remaining term of the modified liability. The new guidance was applied to the € 380 million convertible bond issued in 2016, the better part of which served to early settle an existing convertible bond. This resulted in the recognition of an increase in the amortized cost of the convertible bond of € 2.6 million against a decrease in retained earnings as at 1 January 2018. In accordance with the deferred tax policy used for the issuing company, the resulting decrease in deferred tax liabilities was offset by an equivalent net decrease in deferred tax assets.
 - b. Equity investments were formerly accounted for as available-for-sale financial assets. Under the new guidance on equity investments, the Group elected to carry its main non-consolidated strategic investments at fair value through OCI⁷ (FVTOCI). Consequently, the accumulated impairment losses (€ 10.2 million) on these investments formerly recognized through income statement were reclassified within equity from retained earnings to the revaluation reserve for equity investments carried at FVTOCI as at 1 January 2018. When an equity investment at FVTOCI is disposed, its revaluation reserve is not reclassified to income statement under IFRS 9.

Restated items (in thousands of €)	Restatement effects 1 Jan 2018
Consolidated balance sheet	
<i>Deferred tax assets (a)</i>	-646
Non-current assets	-646
Total assets	-646
<i>Retained earnings (a)</i>	-2 585
<i>Retained earnings (b)</i>	10 240
<i>Other Group reserves (b)</i>	-10 240
Equity attributable to the Group	-2 585
<i>Interest-bearing debt (a)</i>	2 585
<i>Deferred tax liabilities (a)</i>	-646
Non-current liabilities	1 939
Total equity & liabilities	-646
<i>(a) IFRS 9: effect of the convertible bond issued in 2016</i>	
<i>(b) IFRS 9: effect of designating certain equity investments as at FVTOCI</i>	

⁷ OCI (Other Comprehensive Income)

2. In accordance with IAS 7 'Statement of cash flows', cash flows relating to purchases or sales of non-controlling interests should be reported as cash flows from financing activities and not as cash flows from investing activities. This resulted in a € -17.0 million reclassification in the comparative information for 1H 2017. The amount relates to the purchase of the remaining non-controlling interests held by Ansteel in Bekaert (Chongqing) Steel Cord Co.

Restated items (in thousands of €)	Restatement effects 1H 2017
Consolidated cash flow statement	
<i>Other portfolio investments</i>	17 020
Cash flows from investing activities	17 020
<i>Other financing cash flows</i>	-17 020
Cash flows from financing activities	-17 020

Annex 11: Press release 27 July 2018

Financial definitions

<i>Added value</i>	Operating result (EBIT) + remuneration, social security and pension charges + depreciation, amortization, impairment of assets and negative goodwill.
<i>Associates</i>	Companies in which Bekaert has a significant influence, generally reflected by an interest of at least 20%. Associates are accounted for using the equity method.
<i>Book value per share</i>	Equity attributable to the Group divided by number of shares outstanding at balance sheet date.
<i>Capital employed (CE)</i>	Working capital + net intangible assets + net goodwill + net property, plant and equipment. The average CE is weighted by the number of periods that an entity has contributed to the consolidated result.
<i>Capital ratio</i>	Equity relative to total assets.
<i>Combined figures</i>	Sum of consolidated companies + 100% of joint ventures and associated companies after elimination of intercompany transactions (if any). Examples: sales, capital expenditure, number of employees.
<i>Dividend yield</i>	Gross dividend as a percentage of the share price on 31 December.
<i>EBIT</i>	Operating result (earnings before interest and taxation).
<i>EBIT - Underlying</i>	EBIT before operating income and expenses that are related to restructuring programs, impairment losses, business combinations, business disposals, environmental provisions or other events and transactions that have a one-off effect.
<i>EBIT interest coverage</i>	Operating result divided by net interest expense.
<i>EBITDA</i>	Operating result (EBIT) + depreciation, amortization, impairment of assets and negative goodwill.
<i>EBITDA – Underlying</i>	EBITDA before operating income and expenses that are related to restructuring programs, impairment losses, business combinations, business disposals, environmental provisions or other events and transactions that have a one-off effect.
<i>Equity method</i>	Method of accounting whereby an investment (in a joint venture or an associate) is initially recognized at cost and subsequently adjusted for any changes in the investor's share of the joint venture's or associate's net assets (i.e. equity). The income statement reflects the investor's share in the net result of the investee.
<i>Gearing</i>	Net debt relative to equity.
<i>Joint ventures</i>	Companies under joint control in which Bekaert generally has an interest of approximately 50%. Joint ventures are accounted for using the equity method.
<i>Net capitalization</i>	Net debt + equity.
<i>Net debt</i>	Interest-bearing debt net of current loans, non-current financial receivables and cash guarantees, short-term deposits, cash and cash equivalents.
<i>Return on capital employed (ROCE)</i>	Operating result (EBIT) relative to the weighted average capital employed.
<i>Return on equity (ROE)</i>	Result for the period relative to average equity.
<i>Return on invested capital (ROIC)</i>	NOPLAT on invested capital. NOPLAT is EBIT after tax (using a target tax rate of 27%), and includes the Group's share in the NOPLAT of its joint ventures and associates. Invested capital is the aggregate of total equity, net debt, non-current employee benefit obligations and non-current other provisions, and includes the Group's share in the net debt of its joint ventures and associates.
<i>Subsidiaries</i>	Companies in which Bekaert exercises control and generally has an interest of more than 50%.
<i>Weighted average cost of capital (WACC)</i>	Cost of debt and cost of equity weighted with a target gearing of 50% (net debt/equity structure) after tax (using a target tax rate of 27%). Bekaert calculates a WACC for its three main currency environments: EUR, USD and CNY, the average of which (7.6%) has been rounded to 8% to set a long-term target.
<i>Working capital (operating)</i>	Inventories + trade receivables + bills of exchange received + advanced paid - trade payables - advances received - remuneration and social security payables - employment-related taxes.