Bekaert First Half Year 2016 Results

Matthew Taylor, CEO

Beatriz García-Cos Muntañola, CFO

29 July 2016

Highlights: Bekaert continues performance improvement trend

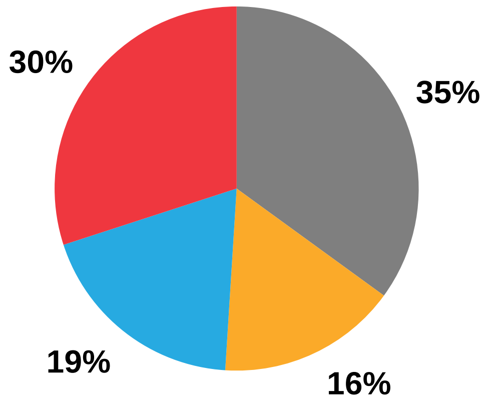
- 6% consolidated volume growth (4% when including the -2% effect of Venezuela)
- Consolidated sales of € 1.8 billion (-4%) and combined sales of € 2.1 billion (-8%)
- FX impact: € -63 million (-3%) on consolidated sales and € -141 million (-6%) combined
- Gross profit of € 347 million (19% margin) compared with € 304 million (16%)
- REBIT of € 157 million (8.6% margin) – up 40% from 2015H1: € 112 million (5.9%)
- Non-recurring items of € -13.7 million compared with € -2.5 million
- EBIT of € 144 million (7.9% margin) compared with € 110 million (5.8% margin)
- REBITDA of € 259 million (14.3% margin) compared with € 219 million (11.5% margin)
- EBITDA of € 242 million (13.3% margin) compared with € 217 million (11.4% margin)
- Net debt/EBITDA of 2.4 – unchanged from 2015H1
  Net debt/EBITDA of 1.8 when excluding the Bridon net debt impact; slightly down from 1.9x at year-end 2015

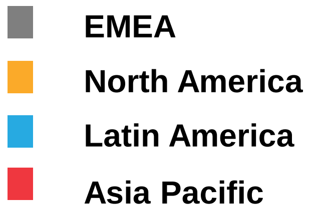
BEKAERT
better together

Sales by segment

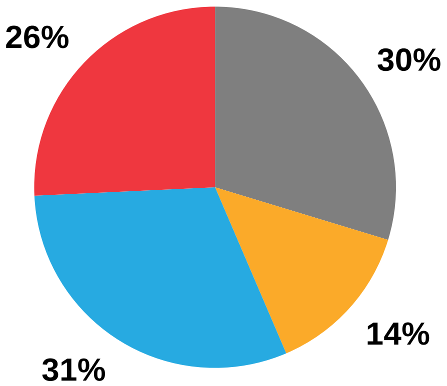
1 HY 2016	Consolidated sales		Combined sales	
	In mio €	Variance	In mio €	Variance
EMEA	629	-2%	629	-2%
North America	291	-7%	291	-7%
Latin America	352	-12%	658	-16%
Asia Pacific	547	+1%	547	-3%
Total	1 819	-4%	2 125	-8%

Consolidated sales





Combined sales



BEKAERT better together

Sales volumes by segment

1 HY 2016	Consolidated		Combined	
	In ‘000 tons	Variance	In ‘000 tons	Variance
EMEA	404	+6%	404	+6%
North America	180	+8%	180	+8%
Latin America	269	-9%	563	-9%
Asia Pacific	397	+12%	397	+5%
Total	1 250	+4%	1 544	=

Venezuela impact included.

Excluding Venezuela impact:

- limited consolidated volume decline in Latin America (-0.5%)
- consolidated volume growth for the Group of +6%.

Business context

- Automotive market demand continued to be strong throughout H1 2016.
- Demand for industrial steel wire and building products increased during Q2, driving high capacity utilization.
- Oil & gas markets are further weakening and are increasingly impacting the steel ropes and profiled wire activities.
- Brazilian and Ecuadorian economies continue to be weak.
  Venezuela is at a standstill.
- Growing uncertainty in Europe due to Brexit.

In this dispersed economic environment, Bekaert achieved strong volume and margin growth.

The Group's overall stronger business portfolio and the growing impact of the various global transformation programs drove a significant profit improvement across the business.

Consolidated income statement: key figures

(in mio €)	1H 2015	1H 2016
Sales	1 897	1 819
Cost of sales	(1 593)	(1 472)
Gross profit	**304**	**347**
Gross profit margin	16.0%	19.1%

- Sales decline by 4% reflects:
  - +6% volume growth
  - -3% price erosion and mix effects
  - -4% from passed-on lower wire rod prices
  - -3% currency effects
  - Limited impact on consolidated sales from the temporary shutdown of the operations in Venezuela and the net effect from acquired and divested businesses
- Gross profit margin improvement by over 19% mainly as a result of cost control initiatives and higher plant occupation

Consolidated income statement: key figures

(in mio €)	1H 2015	1H 2016
Gross profit	**304**	**347**
Selling expenses	(83)	(83)
Administrative expenses	(73)	(73)
R&D expenses	(33)	(32)
Others	(3)	(3)
Operating result before non-recurring items (REBIT)	**112**	**157**

- Overheads on sales at the same level as previous full year (10%).
- Selling expenses include start-up expenses for the Bekaert Commercial Excellence (BCE) program, offset by FX impact and impact from divested businesses.
- Administrative expenses at the same level as previous year: cost savings offset by higher first half-year accruals for variable pay.
- R&D expenses lower resulting from the more focused project management.

BEKAERT
better together

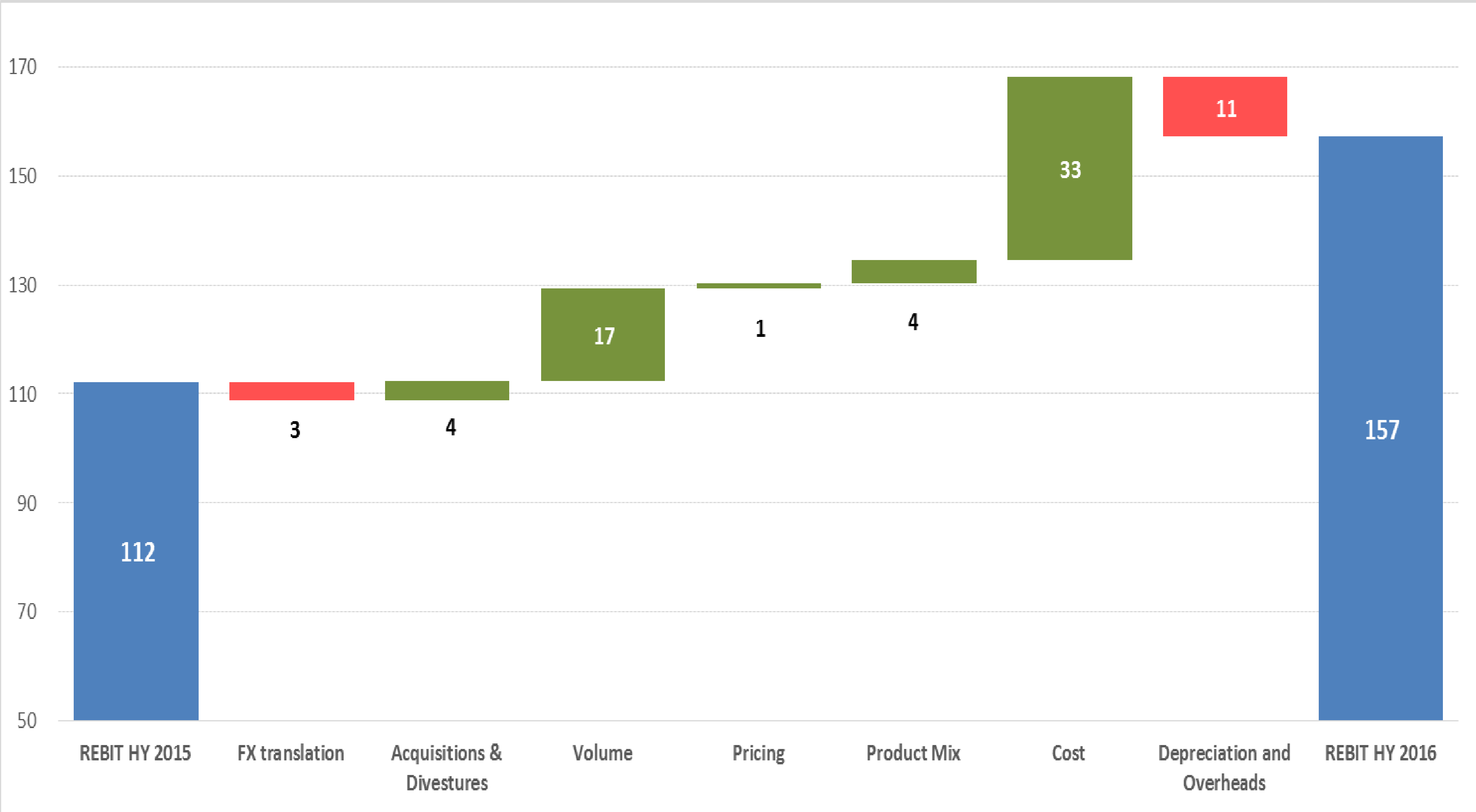
Consolidated income statement: key figures

(in mio €)	1H 2015	1H 2016
Operating result before non-recurring items (REBIT)	112	157
REBIT margin on sales	5.9%	8.6%
Non-recurring items	(3)	(14)
Operating result (EBIT)	110	144
EBIT margin on sales	5.8%	7.9%
REBITDA	219	259
REBITDA margin on sales	11.5%	14.3%

- REBIT margin on sales increase of 45% driven by gross profit improvement.
- Also reflected in higher cash generation in the business.

BEKAERT
better together

Rebit evolution 1HY 2015 – 1HY 2016



BEKAERT
better together

Segment reporting: EMEA

(in mio €)	1H 2015	1H 2016
Consolidated sales	644	629
Operating result before non-recurring items (REBIT)	80	85
REBIT margin on sales	12.4%	13.6%
Non-recurring items	7	(5)
Operating result (EBIT)	87	81
Depreciation, amortization and impairment losses	28	29
REBITDA	108	115
REBITDA margin on sales	16.7%	18.3%

- Sales decline of -2.5%. The 6% volume growth was more than offset by price/mix effects (-4%), by the impact of lower wire rod prices (-3.5%) and adverse currency effects and net effects of acquired and divested businesses (-0.5% each).
- Continued strong profitability momentum; REBIT on sales up by 10% (high capacity utilization, strengthened business portfolio, transformation programs).

BEKAERT better together

Segment reporting: North America

(in mio €)	1H 2015	1H 2016
Consolidated sales	313	291
Operating result before non-recurring items (REBIT)	12	14
REBIT margin on sales	3.7%	4.8%
Non-recurring items	(5)	(0)
Operating result (EBIT)	7	14
Depreciation, amortization and impairment losses	5	7
REBITDA	17	21
REBITDA margin on sales	5.4%	7.4%

- Sales decline by 7%. The organic volume increase by 9% was more than offset by price/mix effects (-7%), by the impact of lower wire rod prices (-6%), the divested businesses (-2%) and a small unfavorable FX impact (-1%).
- Margin on sales increased by 30% to almost 5% thanks to better capacity utilization and the first effects from actions to raise our competitiveness in target markets.

BEKAERT
better together

Segment reporting: Latin America

(in mio €)	1H 2015	1H 2016
Consolidated sales	400	352
Operating result before non-recurring items (REBIT)	22	33
REBIT margin on sales	5.5%	9.3%
Non-recurring items	(1)	(0)
Operating result (EBIT)	21	32
Depreciation, amortization and impairment losses	14	14
REBITDA	35	47
REBITDA margin on sales	8.9%	13.3%

- Sales decreased by 12%. Significant adverse exchange rate movements resulted in a sales decline of 9%. Limited volume decline when excluding the temporary shutdown of the Venezuelan operations which caused a negative sales impact of -2% for the region. Impact of lower wire rod prices (-6%) were offset offset by better price/mix (+5%).
- Strong profit improvement (REBIT up by 50%) following price/mix improvement and cost control.

BEKAERT
better together

Segment reporting: Asia Pacific

(in mio €)	1H 2015	1H 2016
Consolidated sales	541	547
Operating result before non-recurring items (REBIT)	30	67
REBIT margin on sales	5.6%	12.2%
Non-recurring items	1	0
Operating result (EBIT)	31	67
Depreciation, amortization and impairment losses	61	54
REBITDA	92	122
REBITDA margin on sales	17.1%	22.3%

- Sales increase of 2%. The 12% organic volume growth and the positive impact on sales from acquisitions (1%) was offset by price erosion (-4%), by the impact of lower wire rod prices (-3%) and an adverse FX impact (-4%).
- REBIT margin on sales more than doubled as a result of robust growth, higher plant occupation and cost improvements in the tire cord activities across the region, solid growth of sawing wire, and by stopping the losses in the respective activities in SEA and China.

BEKAERT
better together

Consolidated income statement: key figures

(in mio €)	1H 2015	1H 2016
Operating result (EBIT)	**110**	**144**
Interest income / expense	(30)	(28)
Other financial income and expenses	(14)	(53)
Result before taxes	66	63
Income taxes	(26)	(33)
Result after taxes (consolidated companies)	**40**	**30**

- Stable interest cost as gross debt remained quite stable versus previous year-end.
- As a result from the higher share price at the exchange date, the fair value adjustment of the option under the “old” convertible bond resulted in an adverse non-cash impact of over € 42 million reported under Other Financial Results.
- Higher income tax expense reflecting the improved operational results.

BEKAERT better together

Consolidated income statement: key figures

(in mio €)	1H 2015	1H 2016
Result after taxes (consolidated companies)	40	30
Share in the results of joint ventures and associates	13	13
Result for the period	**53**	**43**
Attributable to non-controlling interests	0	10
Attributable to the Group	**52**	**33**

Results attributable to non-controlling interests reflects the exit from and the buy-out of the minority stakes in loss making companies, while at the same time losses in the latter companies have been stopped, contributing to REBIT improvement.

Cash flow: key figures

(in mio €)	1H 2015	1H 2016
Gross cash flows from operations	170	201
Cash flows from operations	161	115
Cash flows from investment activities	(219)	(12)
Cash flows from financing activities	(96)	(51)

- Cash from operations negatively impacted by increase in working capital versus year-end.
- Investment activities last year include the impact from M&A (net € 100 million), while this year the cash acquired in the BBRG transaction is included.
- Cash Flow from Financing Activities reflects the extra cash received from the Convertible Bond Exchange.

Working capital: key figures

(in mio €)	1H 2015	YE 2015	1H 2016
Inventories	698	629	683
Accounts receivable	959	769	942
Accounts payable	(563)	(585)	(651)
Working capital	1 095	813	973

- Working Capital from the Bridon entities reflected in the HY 2016 balances (+ € 64 million).
- In addition following normal seasonal business pattern, Working Capital increased by € 95 million from year-end, but down by € 186 million versus same period last year.
- Average working capital on sales (annualized basis) at 23.7% down from 24.8% at year-end.

Consolidated balance sheet: key figures

(in mio €)	YE 2015	1H 2016
Non-current assets	1 921	2 184
Current assets	1 960	2 237
Assets	3 881	4 421
Equity	1 516	1 507
Non-current liabilities	1 078	1 522
Current liabilities	1 287	1 392
Equity and liabilities	3 881	4 421

- Including the provisional opening balance sheet for the Bridon entities. The full restatement to fair value and the related Purchase Price Allocation will be completed by year-end 2016.
- The resulting goodwill from the provisional opening balances amounts to € 126 million.

BEKAERT
better together

Balance sheet: key figures

(in mio €)	1H 2015	YE 2015	1H 2016
Net financial debt	1 023	832	1 151
Gearing (net debt to equity)	62.2%	54.9%	76.4%
Net debt on EBITDA	2.4	1.9	2.4
Net debt on REBITDA	2.3	1.9	2.2

- Resulting from the BBRG transaction, Net Debt increased by € 297.5 million.
- Adjusting for the above, Net Debt to EBITDA, would have been 1.8x, reflecting the strong cash generation over the first half of the year.

BEKAERT better together

Ratios: key figures

	1H 2015	1H 2016
REBITDA margin on sales	11.5%	14.3%
EBITDA margin on sales	11.4%	13.3%
REBIT margin on sales	5.9%	8.6%
EBIT margin on sales	5.8%	7.9%
Sales on capital employed (asset rotation)	1.4	1.5
Return on capital employed (ROCE)	8.1%	11.6%
Return on equity (ROE)	6.6%	5.6%

BEKAERT better together

IFRS Segments of the Bekaert Group

- Following the closing of the BBRG transaction, the IFRS segmentation of the Bekaert Group will be adjusted into 4 regional segments plus BBRG as a separate segment.

- Any entity belonging to BBRG which used to be reported in a regional segment, will be moved to the BBRG segment.

- IFRS requires a restatement according the new segment logic for every comparative reporting period.

- As the BBRG transaction was closed on 28 June 2016, the presentation according to the new segmentation will be done from H2 2016 onwards for practical reasons.

New segment reporting: Consolidated sales

	1H 2015	1H 2016
EMEA	615	608
North America	278	264
Latin America	371	328
Asia Pacific	509	517
BBRG	123	102
Consolidated Sales	**1 897**	**1 819**

BEKAERT
better together

New segment reporting: Operating result before non-recurring items (REBIT)

	1H 2015	1H 2016
EMEA	73	81
North America	9	13
Latin America	21	33
Asia Pacific	25	58
BBRG	15	10
Operating result before non-recurring items (REBIT)	**112**	**157**

BEKAERT
better together

New segment reporting: REBIT margin on sales

	1H 2015	1H 2016
EMEA	11.9%	13.3%
North America	3.2%	5.0%
Latin America	5.8%	10.0%
Asia Pacific	5.0%	11.1%
BBRG	12.5%	9.6%
Operating result before non-recurring items (REBIT)	**5.9%**	**8.6%**

BEKAERT
better together

Global presence including Bridon-Bekaert Ropes Group locations

BEKAERT
better together

Outlook

Bekaert's actions to drive value creation have begun to show their effectiveness through strong profit growth and robust cash generation.

We project continued strong demand from automotive, solar and construction markets in the second half of the year.

However, we do see an increased impact from the low activity in global oil and gas markets, both in Bekaert's specialty steel wire platform (flexible pipes) as well as through the consolidation of the Bridon ropes business which will pull Bekaert's profit performance down in the second half of the year.

We also project:

- a continued weak economic environment in Latin America
- some slowdown in Europe from growing uncertainty and lack of confidence following Britain's choice to leave the European Union and we anticipate normal seasonality for the second half.

Despite this caution over the second half, we remain confident we will continue to outperform the market environment over coming months and we believe we will end the year ahead of our target goal of 7% REBIT, achieving between 7% and 8% REBIT for full year 2016.

BEKAERT

better together