AUDITOR'S REPORT

Deloitte.

NV Bekaert SA | 31 December 2018

Statutory auditor's report to the shareholders' meeting of NV Bekaert SA for the year ended 31 December 2018 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of NV Bekaert SA ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 11 May 2016, in accordance with the proposal of the board of directors issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2018. Due to a lack of online archives dating back prior to 1997, we have not been able to determine exactly the first year of our appointment. We have performed the statutory audit of the consolidated financial statements of NV Bekaert SA for at least 22 consecutive periods.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 4 449 million EUR and the consolidated statement of comprehensive income shows a profit for the year then ended of 3 million EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2018 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Valuation of goodwill - BBRG Cash Generating Unit At 31 December 2018, goodwill amounts to 149 million EUR. The majority of this goodwill (127 million EUR) relates to the Bridon Bekaert Ropes group ('BBRG') cash-generating unit. The company defines annually the carrying amounts of non-current assets allocated to the BBRG cash-generating unit. Bekaert assesses the recoverable amount by calculating the value in use of the assets within the cash-generating unit, using a discounted cash flow method ("DCF"). This method is complex and requires significant judgment in making estimates of cash flow projections, sales growth, margin evolution and discount rates. Due to the inherent uncertainty involved in forecasting and discounting cash flows, we consider this assessment as a key audit matter. The company disclosed the nature and the value of the assumptions used in the impairment analyses in note 3.2 and 6.2 to the consolidated financial statements.	In our audit, we assessed and tested, with the assistance of our valuation experts, management's critical assumptions used in the discounted cash flow model. We challenged the key drivers of projected future cash flows, including estimated sales growth, estimated gross margin and the applied discount rate. Our procedures furthermore include the evaluation of the design and implementation of controls over the preparation and approval of BBRG's budget, which serves as the basis in the DCF model. We critically assessed the budgets considering historical accuracy of management estimates and by evaluating the analysis prepared by Bekaert's management external experts. Moreover, we specifically focused on the sensitivity in the available headroom of BBRG's CGU and whether a reasonable possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We assessed the adequacy of the company's disclosure note to the consolidated financial statements.
Control Assumption Venezuelan operations The group equity shows translation adjustments amounting to 59,7 million EUR (debit) relating to the Venezuelan subsidiaries Vicson and Inverviscon. The group periodically evaluates the assumption of control over the Venezuelan subsidiaries taking into account the political and monetary instability in the country. A loss of control over the Venezuelan subsidiaries would lead to a disposal of controlling interest and the necessary adjustments in this respect in accordance with IFRS 10 including, amongst others, the reclassification to profit and loss of any amounts relating to the assets and liabilities of the subsidiaries previously recognized in other comprehensive income. The cumulative translation adjustment reserve would in this case be recorded in profit and loss ("recycling"). Given the uncertainty of the Venezuelan business environment and the potential material impact on the group result, we consider the company's assumption of control over the Venezuelan subsidiaries to be a key audit matter. The group disclosed the outcome of this evaluation in 3.1 and note 6.13 to the consolidated financial statements.	We assessed and challenged the group's assessment of control over the Venezuelan subsidiaries and evaluated the design and implementation of internal controls over the related process. We assessed and challenged the group's position and arguments supporting the assumption of control over the Venezuelan subsidiaries taking into consideration the restrictions to transfer funds to the parent company. More specifically, we assessed the ability of the Venezuelan subsidiaries to source raw materials, steer the local production and operations and generate cash flows.

Income taxes payable – Uncertain tax positions Uncertain tax positions recognized as income taxes payable amount to 64,7 million EUR as at 31 December 2018. The group operates across a number of different tax jurisdictions and is subject to periodic challenges by local tax authorities in the normal course of business, including transaction-related taxes and transfer pricing arrangements. In those cases where the amount of tax payable is uncertain, the group accrues based on its judgment of the probable amount of the liability. Management exercises judgment in assessing the level of accruals for uncertain tax positions. The group disclosed the outcome of its assessment in note 3.2 and 6.20 to the consolidated financial statements.	We obtained a detailed understanding of the group's tax strategy as well as key technical tax issues and risks related to business and legislative developments. We assessed the status of ongoing local tax authority audits. We evaluated and challenged management's judgment in relation to uncertain tax positions and the determination of related tax accruals. We considered advice received by management from external parties to support their position. We evaluated the process and internal controls framework around uncertain tax positions, including how judgment and estimates are derived, approved and accounted for.
Income taxes – recoverability of deferred tax assets The group has recognized deferred tax assets for an amount of 138,4 million EUR. Bekaert is required to estimate the recoverability of its deferred tax asset position. The assessment of the recoverability of deferred tax assets depends on key assumptions applied by the group, such as budgeted and forecasted profitability on an entity-by-entity basis, including assumptions about the applicable tax rates. The recoverability of deferred tax assets is considered a key audit matter as the amount is material to the financial statements and the assessment process is judgmental and requires careful consideration in relation to expected future market and economic conditions. The group disclosed deferred tax assets in note 3.2, 5.6 and 6.6 of the consolidated financial statements.	As part of our audit procedures, we assessed and challenged management's assumptions to determine the probability that the recognized deferred tax assets are expected to be recovered through future taxable income. During these procedures, we evaluated management's budgets and forecasts and considered relevant tax laws. Where applicable, we critically assessed the consistency of the group's budgets and forecasts as well as the assessment of tax rates.
Employee benefit plan measurement The group has defined benefit plans in various countries, but primarily in Belgium, US, UK and Ecuador, which give rise to defined benefit obligations of 124,7 million EUR as detailed in note 6.15 to the consolidated financial statements. The valuation of defined benefit obligations is sensitive to changes in key assumptions such as salary increase, discount rate, inflation and mortality estimates. We considered the measurement of defined benefit plans to be a key audit matter given the magnitude of the amounts, management's judgment applied in setting assumptions for salary increase, inflation, discount rates and mortality rates and given the technical expertise required to determine these amounts.	We evaluated and challenged the key actuarial and demographic assumptions and valuation methodologies used by management to assess pension obligations. With support of our own actuarial expert we considered the process applied by the group's internal and external actuaries, the scope of the valuation performed and the key assumptions applied. We benchmarked key variables used by the group and tested payroll data as well as reconciled the membership census data used in the actuarial models to the payroll data. We also assessed the adequacy of the company's disclosure note 3.2 and 6.15 to the consolidated financial statements.

Responsibilities of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary (revised in 2018) to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the annual report, i.e. chapter 1 to 4 of this annual report, is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement.

The non-financial information as required by article 119, § 2 of the Companies Code, has been disclosed in a separate report, attached to the directors' report on the consolidated financial statements. This statement on non-financial information includes all the information required by article 119, § 2 of the Companies Code and is in accordance with the consolidated financial statements for the financial year then ended. The non-financial information has been established by the company in accordance with the GRI standards. In accordance with article 144, § 1, 6° of the Companies Code we do not express any opinion on the question whether this non-financial information has been established in accordance with the GRI standards mentioned in the directors' report on the consolidated financial statements.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Gent, 27 March 2019

The statutory auditor

Vanrobaeys

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Charlotte Vanrobaeys