

4. Segment reporting

The Group basically uses a geographical segmentation since this is the best way to evaluate the nature and financial performance of the business as a whole. The segmentation reflects the importance of the regions for the Group's global growth strategy. The Group's regional businesses are typically characterized by common cost drivers, a product portfolio that is tailored to regional industry requirements, and specific distribution channels. They distinguish themselves in terms of political, economic and currency risks and in terms of geographic market trends and growth patterns. Adding to the relevance of the segmentation is the fact that the Group sells the vast majority of its production volumes in the region where they are manufactured.

In addition to the four regional segments, the newly established Bridon-Bekaert Ropes Group ('BBRG') has been identified as a separate reportable segment in accordance with IFRS 8 'Operating Segments', since its financial information is regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess its performance.

As from 2016 onwards, the following five reporting segments are presented:

- 1) EMEA – Europe, Middle-East and Africa: 31% of consolidated sales (2015: 32%)
- 2) North America: 14% of consolidated sales (2015: 14%)
- 3) Latin America: 18% of consolidated sales (2015: 19%)
- 4) Asia Pacific: 28% of consolidated sales (2015: 28%)
- 5) BBRG: 9% of consolidated sales (2015: 7%)

As the merger was finalized on June 28, 2016, the newly merged Bridon business only contributed to the 2016 operating results for half a year.

Previous year's figures have been restated and all elements relating to Bekaert's existing advanced cords and global ropes businesses have been taken out of their respective regional segments and are now presented under BBRG.

Key data by reporting segment

Only capital employed elements (intangible assets, goodwill, property, plant and equipment and the elements of the operating working capital) are allocated to the various segments. All other assets and liabilities are reported as unallocated assets or liabilities. 'Group & Business support' mainly consists of the functional unit technology and unallocated expenses for group management and services; it does not constitute a reportable segment in itself. The geographical segmentation is based on the location of the Bekaert entities rather than on the location of its customers. Since it is Bekaert's strategy to produce as close as possible to the customers, most customers are serviced by Bekaert entities in their own region. Any sales between segments are transacted at prices which reflect the arm's length principle. Intersegment eliminations mainly include eliminations of receivables and payables, and margin eliminations on transfers of fixed assets and goods and related adjustments to depreciation and amortization.

2016 in thousands of €	EMEA	North America	Latin America	Asia Pacific	Group & Business support	BBRG	Intersegment eliminations	Consolidated
Net sales	1 148 308	512 331	681 834	1 052 364	-	320 380	-	3 715 217
Operating result (EBIT)	135 527	26 043	66 599	100 431	-63 438	-8 699	3 191	259 654
EBIT - Underlying	140 660	26 009	66 851	119 204	-64 209	13 247	3 190	304 952
Depreciation and amortization	57 863	12 903	21 839	101 598	3 142	21 103	-14 531	203 917
Impairment losses	390	20	-236	17 247	-40	481	-	17 862
EBITDA	193 780	38 966	88 202	219 276	-60 336	12 885	-11 340	481 433
Segment assets	881 478	299 775	464 210	1 114 595	175 997	613 364	-198 624	3 350 795
Unallocated assets								953 518
Total assets								4 304 313
Segment liabilities	239 944	62 482	117 657	179 051	115 450	91 507	-105 240	700 851
Unallocated liabilities								2 005 569
Total liabilities								2 706 420
Capital employed	641 534	237 293	346 553	935 544	60 547	521 857	-93 384	2 649 944
Weighted average capital employed	637 681	222 428	402 515	976 001	57 042	384 935	-94 896	2 585 706
Return on weighted average capital employed (ROCE) ¹	21.3%	11.7%	16.5%	10.3%	-	-2.3%	-	10.0%
Capital expenditure – PP&E	51 745	20 848	14 349	58 814	10 028	13 944	-11 199	158 529
Capital expenditure – intangible assets	1 779	-	1 315	850	2 053	48	-90	5 955
Share in the results of joint ventures and associates	-	-	25 445	-	-	-	-	25 445
Investments in joint ventures and associates	-	-	146 582	-	-	-	-	146 582
Number of employees (year-end) ²	6 552	1 293	3 827	9 494	1 800	2 494	-	25 460

2015 redefined ³ in thousands of €	EMEA	North America	Latin America	Asia Pacific	Group & Business support	BBRG	Intersegment eliminations	Consolidated
Net sales	1 173 786	527 567	711 617	1 018 896	-	239 215	-	3 671 081
Operating result (EBIT)	134 987	27 367	45 372	57 876	-79 170	28 736	4 218	219 386
EBIT - Underlying	128 440	13 706	45 965	69 240	-59 444	29 357	4 218	231 482
Depreciation and amortization	55 105	10 460	23 588	109 164	10 700	13 831	-14 447	208 401
Impairment losses	72	-	426	12 487	-62	339	-	13 262
Negative goodwill	-	-	-	-340	-	-	-	-340
EBITDA	190 164	37 827	69 386	179 187	-68 532	42 906	-10 229	440 709
Segment assets	847 842	269 556	508 513	1 167 900	147 901	278 351	-186 236	3 033 827
Unallocated assets								848 582
Total assets								3 882 409
Segment liabilities	214 016	61 926	110 076	160 434	94 560	34 308	-89 852	585 468
Unallocated liabilities								1 785 290
Total liabilities								2 370 758
Capital employed	633 826	207 630	398 437	1 007 466	53 341	244 043	-96 384	2 448 359
Weighted average capital employed	665 260	195 323	413 848	1 063 938	68 484	233 562	-108 139	2 532 276
Return on weighted average capital employed (ROCE) ¹	20.3%	14.0%	11.0%	5.4%	-	12.3%	-	8.7%
Capital expenditure – PP&E	44 698	46 425	18 288	42 584	4 770	26 290	-12 353	170 702
Capital expenditure – intangible assets	3 783	-	439	439	1 145	62	-	5 868
Share in the results of joint ventures and associates	-	-	24 268	-5 948	-	-	-	18 320
Investments in joint ventures and associates	-	-	114 119	-	-	-	-	114 119
Number of employees (year-end) ²	6 459	1 276	3 995	8 954	1 731	1 251	-	23 666

¹ ROCE: Operating result (EBIT) relative to weighted average capital employed.

² Number of employees: full-time equivalents.

³ See note 2.7. 'Restatement and reclassification effects'.

2015 as reported in thousands of €	EMEA	North America	Latin America	Asia Pacific	Group & Business support	Intersegment eliminations	Consolidated
Net sales	1 227 350	593 013	764 464	1 086 254	-	-	3 671 081
Operating result (EBIT)	144 937	33 216	45 206	70 912	-79 169	5 018	220 120
EBIT - Underlying	138 963	19 604	45 799	82 275	-68 770	5 018	222 889
Depreciation and amortization	56 389	12 745	26 474	116 538	10 701	-14 446	208 401
Impairment losses	89	-	426	12 809	-62	-	13 262
Negative goodwill	-	-	-	-340	-	-	-340
EBITDA	201 415	45 961	72 106	199 919	-68 530	-9 428	441 443
Segment assets	883 520	334 539	582 091	1 269 072	148 149	-183 544	3 033 827
Unallocated assets							847 292
Total assets							3 881 119
Segment liabilities	223 960	68 157	113 251	172 526	94 808	-87 234	585 468
Unallocated liabilities							1 779 740
Total liabilities							2 365 208
Capital employed	659 560	266 382	468 840	1 096 546	53 341	-96 310	2 448 359
Weighted average capital employed	687 933	248 822	486 344	1 149 190	68 523	-108 536	2 532 276
Return on weighted average capital employed (ROCE) ¹	21.1%	13.3%	9.3%	6.2%	-	-	8.7%
Capital expenditure – PP&E	47 677	55 387	24 261	50 185	4 770	-11 578	170 702
Capital expenditure – intangible assets	3 783	22	478	440	1 145	-	5 868
Share in the results of joint ventures and associates	-	-	24 268	-5 948	-	-	18 320
Investments in joint ventures and associates	-	-	114 119	-	-	-	114 119
Number of employees (year-end) ²	6 584	1 496	4 452	9 403	1 731	-	23 666

¹ ROCE: Operating result (EBIT) relative to weighted average capital employed.

² Number of employees: full-time equivalents.

Revenue by product application

in thousands of €	2015	2016	Variance (%)
Net sales			
<i>Rubber reinforcement products</i>	1 503 081	1 582 363	5.3%
<i>Other steel wire products</i>	1 765 544	1 649 297	-6.6%
<i>Stainless products</i>	153 257	154 881	1.1%
<i>Steel and synthetic ropes, advanced cords (BBRG)</i>	239 215	320 380	33.9%
<i>Other</i>	9 984	8 296	-16.9%
Total	3 671 081	3 715 217	1.2%

Rubber reinforcement products include tire cord, bead wire and hose reinforcement wire. Other steel wire products include industrial steel wires, specialty steel wires (including stainless wires), building products and sawing wire. Stainless products include fibers and combustion products for heating and drying.

BBRG products are presented separately. The other product groups are sold in all regional segments. The product mix is very similar in EMEA and North America, while in Asia Pacific rubber reinforcement products are predominant, whereas in Latin America other steel wire products make up the largest part of the business.

Additional information by country

The table below shows the relative importance of Belgium (i.e. the country of domicile), Chile, China, the USA and Slovakia for Bekaert in terms of revenues and non-current assets (i.e. intangible assets, goodwill, property, plant and equipment).

in thousands of €	2015	% of total	2016	% of total
Net sales from Belgium	326 590	9%	324 179	9%
Net sales from Chile	312 832	9%	318 082	9%
Net sales from China	746 433	20%	774 198	21%
Net sales from USA	536 905	15%	551 703	15%
Net sales from Slovakia	276 089	8%	297 834	8%
Net sales from other countries	1 472 232	39%	1 449 221	38%
Total net sales	3 671 081	100%	3 715 217	100%
Non-current assets located in Belgium	114 319	7%	123 312	7%
Non-current assets located in Chile	96 475	6%	103 216	6%
Non-current assets located in China	568 863	35%	466 890	26%
Non-current assets located in USA	137 566	8%	163 200	9%
Non-current assets located in Slovakia	151 732	9%	142 917	8%
Non-current assets located in other countries	566 646	35%	807 901	44%
Total non-current assets	1 635 601	100%	1 807 436	100%