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Press release
Regulated information

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Press - Investors
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Third quarter trading update 2018

Bekaert reports 5% sales increase in the first 9 months of 2018

Sales [1]

Bekaert reported consolidated sales of € 3 227 million in the first nine months of 2018, up +5% from the same period last year[2]. Volume growth (+3%) and the aggregate effect of passed-on wire rod price increases and price-mix (+7%) boosted an organic sales growth of +10%. Part of this growth was offset by adverse currency movements (-3.3%) and divestment effects (-1.5%).

Third quarter organic volume growth moderated to +1.4% compared with the same quarter last year. While demand from automotive and construction markets remained strong, we saw some slowdown in industrial steel wire markets, reflecting the impact of rising trade tensions for the global economy. The aggregate effect of passed-on wire rod price increases and price-mix added +9.2% to the organic sales growth for the quarter. Currency movements (-0.6%) and divestment effects (-0.5%) were limited.

Combined sales[3] totaled € 3 807 million in the first nine months of 2018, up +6% from the same period last year. Organic growth was +11.6% at the combined level. Our joint ventures in Brazil reported higher sales in both domestic and export markets. The impact of divestments was -0.1% and currency effects accounted for -5.6%. The depreciation of the Brazilian real against the euro was -21.5% compared with the average rate during the first nine months of 2017.

Outlook

We project continued good demand from our automotive and construction markets in the fourth quarter of 2018. We do take into account the usual seasonality effects of the end of the year and we remain cautious about any further developments in international trade policy that could impact the global economy or business conditions in our markets in particular.

From today's perspective and provided there will be no exceptional, unforeseeable circumstances, we expect underlying EBIT for the second half to be above the first half of 2018. As reported before, we are also implementing actions to reduce the net debt position by year-end.

[1] The figures in this press release are provisional and unaudited.
[2] All comparisons are made relative to the first nine months of 2017, unless otherwise stated.
[3] Combined sales are sales of consolidated companies plus 100% of sales of joint ventures and associates after intercompany elimination.

Consolidated and combined sales by segment – in millions of €

Consolidated sales	2017	2018	Share	Variance[4]	Organic	FX[5]	M&A
EMEA	956	1 009	31%	+6%	+6%	-	-0.5%
North America	421	460	14%	+9%	+16%	-7%	-
Latin America	508	519	16%	+2%	+15%	-4%	-8%
Asia Pacific	846	896	28%	+6%	+10%	-4%	-
BBRG	342	342	11%	-	+5%	-5%	-
Total	**3 073**	**3 227**	**100%**	**+5%**	**+10%**	**-3%**	**-1.5%**

Combined sales[6]	2017	2018	Share	Variance[4]	Organic	FX[5]	M&A
EMEA	949	1 006	26%	+6%	+6%	-	-0.5%
North America	421	460	12%	+9%	+16%	-7%	-
Latin America	1 038	1 103	29%	+6%	+18%	-12%	-
Asia Pacific	845	896	24%	+6%	+10%	-4%	-
BBRG	342	342	9%	-	+5%	-5%	-
Total	**3 595**	**3 807**	**100%**	**+6%**	**+12%**	**-6%**	**-**

2018 quarter-on-quarter progress - in millions of €

Consolidated sales	1st Q	2nd Q	3rd Q	Q3 y-o-y[7]
EMEA	347	346	317	+4%
North America	144	156	160	+19%
Latin America	168	177	175	+16%
Asia Pacific	283	310	304	+8%
BBRG	110	116	115	+6%
Total	**1 052**	**1 105**	**1 070**	**+10%**

Combined sales	1st Q	2nd Q	3rd Q	Q3 y-o-y[7]
EMEA	347	344	314	+4%
North America	144	156	160	+19%
Latin America	367	359	377	+9%
Asia Pacific	283	310	304	+8%
BBRG	110	116	115	+7%
Total	**1 251**	**1 286**	**1 270**	**+8%**

[4] Comparisons are made relative to the figures for the first nine months of 2017, unless when otherwise indicated.
[5] Foreign exchange impact on sales over the first nine months of 2018 – in millions of €.
[6] Combined sales are sales of consolidated companies plus 100% of sales of joint ventures and associates after intercompany elimination.
[7] Q3 year-on-year sales: 3rd quarter 2018 versus 3rd quarter 2017.

Sales by segment

EMEA

Bekaert's activities in EMEA achieved 6% organic sales growth over the first nine months of 2018, compared with the same period last year. All growth stemmed from passed-on wire rod price increases and price-mix effects.

Bekaert's rubber reinforcement platform delivered firm volume growth while demand for profiled wires remained low due to lagging investment activity in the oil and gas sector. We saw demand for industrial steel wire products and stainless technologies soften in the course of the third quarter.

We anticipate the usual seasonal effects at year-end and project continued good demand in the fourth quarter from automotive and construction markets, no improvement in the near term in the oil and gas sector, and a potential further impact from trade tensions on the economy, which could affect our industrial steel wire markets in particular. We are in process of solving the start-up issues that caused additional costs of hiring and training personnel for the plant expansions in Central and Eastern Europe. We are implementing the necessary realignment measures to our manufacturing footprint, among which the ongoing plant closure in Figline Valdarno in Italy and the downsizing of the profiled wire activity in Bradford, UK.

North America

Bekaert's activities in North America achieved 9% sales growth in the first nine months of 2018. The organic growth accounted for +16% and stemmed from improved volumes (+6%) and passed-on wire rod price increases and other price-mix effects (+10%). The adverse currency impact was -7% on a year-to-date basis.

Demand from automotive and energy markets remained solid in the third quarter but slowed down in some other sectors, among which the US agricultural fencing market. Efforts were done to pass on the steep wire rod price increases driven by changes in trade policy.

We project a continued good underlying demand in the fourth quarter with the exception of the usual seasonality impacts of the end of the year.

Latin America

In Latin America, consolidated sales were up +2% in the first nine months of 2018. The strong organic growth (+15%) was largely offset by the disposal effect (-8%) of the Sumaré integration within the JV partnership with ArcelorMittal since 1 July 2017 and by adverse currency movements (-4%).

The strong organic growth was driven by passed-on higher wire rod prices and other price-mix enhancements while volumes were -3% below the level of last year due to continued subdued demand in some countries.

Combined sales increased by +6% year-on-year. The strong organic growth (+18%) was largely offset by the translation effect of currency movements (-12%), mainly driven by the depreciation of the Brazilian real against the euro (-21.5% compared with the average rate during the first nine months of 2017).

Bekaert perceives a difficult but improving business climate in most countries in the region. Given the strong market positions and the actions taken to improve the business performance, the segment is expected to deliver continued good underlying performance. We announced the closure of the loss-making Dramix® plant in Costa Rica on 7 September 2018 and have ceased the production operations there at the end of October 2018.

Asia Pacific

Compared with the first nine months of 2017, Bekaert achieved almost 10% organic sales growth in Asia Pacific. Volumes boosted sales by almost +8% and the aggregate effect of increased wire rod prices and price-mix added +2%. Consolidated top-line growth was tempered to +6% due the adverse currency effects (-4%).

Volume growth softened in the third quarter to +4% in comparison with a strong third quarter last year. The robust growth of rubber reinforcement activities across the region was partly offset by weaker demand in other sectors, among which the agricultural markets which were hit by the extreme drought in Australia, and by the very low volumes in our sawing wire activities, compared with the same period last year.

We expect the high run rate in our tire markets to continue into the final quarter of the year, with some seasonal impact from the Chinese mid-autumn holiday beginning of October and while remaining cautious of the potential impact of trade tensions on our business. In solar markets, the reduction of feed-in tariffs in China caused a sudden contraction in new photovoltaic installations as of the 3rd quarter onwards. In line with demand developments for fixed abrasive sawing wire, we are adding capacity to grow our still small production scale. We are downsizing our operations in Ipoh, Malaysia, in order to transform the plant into a more profitable high-carbon facility and we are in the process of solving the start-up problems in our new plant extensions in India, Indonesia and China.

Bridon-Bekaert Ropes Group

Compared with the first nine months of 2017, Bridon-Bekaert Ropes Group (BBRG) reported almost +5% organic sales growth, all of which was offset by adverse currency movements (-5%). Third quarter organic growth accounted for +8%, driven by better volumes (+4%) and a positive price-mix (+4%). Currency effects tempered to -2% in the third quarter.

On 24 October 2018, Bekaert acquired the 33% equity share Ontario Teachers' Pension Plan held in BBRG. Taking full control of BBRG will allow the business to accelerate the turnaround efforts and achieve its full potential.

We project continued difficult market circumstances for the ropes business in the near future. With CEO Brett Simpson at the helm of BBRG since 1 September 2018, the group is accelerating the turnaround efforts through its 3-year profit restoration program. Among other measures, BBRG has been restructuring the business activities in Brazil; has entered into innovation and commercial partnerships for the co-development and bring-to-market of hybrid and synthetic ropes; and is implementing organizational effectiveness and efficiencies.

Investment update and other information

On 15 October 2018, Bekaert completed the refinancing of the outstanding debt incurred by Bridon-Bekaert Ropes Group (BBRG). This included: (1) the temporary refinancing through a financial covenant-free bridge loan with a group of banks for a maximum maturity of two years, preceding a permanent long-term funding decision; (2) the repayment of € 294 million to the BBRG lenders' syndicate; (3) the release of all related security interests; (4) the elimination of the related ring-fenced debt structure; and (5) significantly lower interest charges on the refinanced BBRG debt. The debt of BBRG had been consolidated in Bekaert's consolidated statements since the establishment of Bridon-Bekaert Ropes Group. The current debt restructuring and refinancing reduce Bekaert's consolidated net debt by € -33 million.

On 24 October 2018, Bekaert acquired the 33% equity share Ontario Teachers' Pension Plan held in Bridon-Bekaert Ropes Group (BBRG). The transaction involved the payment by Bekaert, of the equivalent of USD 8 million as consideration for (a) the BBRG securities it did not yet own and (b) the release of any other liability to Ontario Teachers'.

Investments in property, plant and equipment amounted to € 140 million in the first nine months of 2018 (€ 180 million in the same period last year). These included expansion programs in EMEA and Asia Pacific in particular. We project to invest less than € 200 million for the total of 2018 (versus € 273 million last year).

Several business plans are in the course of implementation to turn around the profitability of weaker performing businesses or to cease operations:

- The loss-making plant in Figline Valdarno in Italy is on track to cease its core operations by year-end 2018.
- The loss-making Dramix® plant in Costa Rica has ceased the production operations at the end of October 2018.
- Bekaert Bradford, UK, is in process of downsizing the activity to the market reality of the flexible pipes business.
- Bekaert Ipoh Malaysia, is in process of downsizing the activity into a high-carbon steel wire plant.
- Bridon-Bekaert Ropes Group has been restructuring its operations in Brazil, aimed at making the organization more agile, customer-driven and profitable.

Net debt was € 1 303 million as at 30 September 2018, € 98 million up from 30 September 2017 and € -36 million down from 30 June 2018. Cash generation actions are being put in place to significantly reduce the net debt/underlying EBITDA leverage by year-end 2018.

Since 1 July 2018, Bekaert disposed of 2182 treasury shares in connection with the Bekaert Personal Shareholding Requirement Plan. As a result, Bekaert owned 3 935 347 treasury shares at 30 September 2018.

Financial calendar

2018 full year results	1	March	2019
2018 annual report available on the Internet	29	March	2019
First quarter trading update 2019	8	May	2019
General Meeting of Shareholders	8	May	2019
2019 half year results	26	July	2019
Third quarter trading update 2019	15	November	2019

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 30 000 employees worldwide, headquarters in Belgium and € 4.8 billion in combined revenue.