

Press release

Regulated information

Press - Investors
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9 May 2018 – 07:30 a.m. CET

First quarter trading update 2018

Adverse currency movements offset organic sales growth

Bekaert achieved consolidated sales of € 1 052 million for the first quarter of 2018, down less than 1%¹ from the very strong first quarter of 2017. Our consolidated sales reflected strong adverse currency movements (-6%) and a net negative effect of mergers, acquisitions and divestments² (-2%), which together more than offset the organic sales growth of +7%.

The aggregate effect of passed-on wire rod price increases and price-mix boosted sales by +6%. Our drive to pass on wire rod price increases helped underpin a positive pricing impact but affected the volumes in certain sectors. The oil and gas markets remained difficult and demand from solar markets for loose abrasive sawing wire was far below the level of the first quarter of 2017. Overall, volume growth added +1% to Bekaert's top line thanks to continued growth in automotive, mining and specialty steel wire markets.

Compared with the same period last year, most currencies lost value against the euro, leading to a total negative consolidated top line impact of -6%. The average exchange rate decline of the US dollar (-15%), the Chinese renminbi (-7%) and the Chilean peso (-6%) accounted for most of the currency effect on Bekaert's consolidated sales.

Combined sales³ increased by 2% to € 1 251 million. The organic growth (+10%) was almost entirely offset by adverse currency movements (-8%). The devaluation of the Brazilian real by almost 20% affected combined sales by more than € 30 million compared with the same quarter last year.

Outlook

Our outlook remains similar to the one outlined on 28 February 2018.

We see the underlying demand strength in our automotive markets remaining and the prospects for the oil & gas sector as well as mining markets may improve on the wave of increasing commodity prices.

We do recognize that the same factors that affected our performance in the second half of 2017 continue to have a significant impact on our performance in the first half of 2018. This includes:

- The difficult business climate in Latin America
- The divestment of the Sumaré activities from the Bekaert consolidated financial statements
- Continued volatility of wire rod prices and other inflationary costs
- Continued low demand for loose abrasive sawing wire
- The slow recovery of Bridon-Bekaert Ropes Group
- Continued uncertainty about the effects of US trade policy changes.

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

² The disposal effect relates to the integration of the Sumaré plant (Brazil) into the JV partnership with ArcelorMittal by which it has been accounted for under the equity method since 1 July 2017.

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

However, we will progressively improve on the controllable factors in the course of the year:

- Whilst we have been more successful in passing on wire rod price increases, we have not closed the gap and we experience a delay in passing them on to our customers. We will raise our efforts to shorten the delay so we can enable a margin recovery in the course of 2018.
- The go-to-market preparations of Bekaert's fixed abrasive sawing wire are on schedule so that the business can start delivering a positive contribution in the 2nd half of 2018.
- We have agreed with Ontario Teachers' Pension Plan to buy out their share. Taking full operational control of Bridon-Bekaert Ropes Group will enable us to accelerate the turnaround process in the ropes business.
- The global transformation programs supporting our vision and strategies are helping us to offset the negative impact of cost inflation and price erosion and will increasingly underpin our move towards a sustainable higher-level performance.
- In addition, we will start to see some benefits from the ongoing expansion investments.

That is why we are confident we will improve our profitability progressively during the year.

Consolidated and combined sales by segment

First quarter consolidated sales in millions of €

Consolidated sales	2017	2018	Share	Variance	Organic	FX	M&A
EMEA	325	347	33%	+7%	+7%	-	-
North America	147	144	14%	-2%	+12%	-13%	-
Latin America	183	168	16%	-9%	+11%	-8%	-11%
Asia Pacific	290	283	27%	-2%	+5%	-7%	-
BBRG	117	110	11%	-5%	+2%	-8%	-
Total	1 061	1 052	100%	-1%	+7%	-6%	-2%

First quarter combined sales in millions of €

Combined sales	2017	2018	Share	Variance	Organic	FX	M&A
EMEA	321	347	28%	+8%	+8%	-	-
North America	147	144	11%	-2%	+12%	-13%	-
Latin America	350	367	29%	+5%	+18%	-13%	-
Asia Pacific	290	283	23%	-2%	+5%	-7%	-
BBRG	117	110	9%	-5%	+2%	-8%	-
Total	1 223	1 251	100%	+2%	+10%	-8%	-

Sales by segment

EMEA: +7%

Bekaert's activities in EMEA achieved almost 7% sales growth, all of which was organic. The volume growth of +2.5% stemmed from strong demand in our automotive markets, partly offset by a volume drop in construction markets. Wire rod price increases and price-mix effects added 4.5% to the top line.

We anticipate continued good demand from tire markets. We do experience increased competitive price pressure, making it difficult to pass on wire rod price increases immediately and integrally, particularly in the highly competitive tire and construction markets in EMEA.

North America: -2%

Bekaert's activities in North America reported a sales decline of -2% for the first quarter of 2018. Currency movements (-13%) more than offset the firm organic growth (+11.5%). This organic growth was the result of the aggregate effect of passed-on higher wire rod prices and price-mix (+8%) and higher volumes (+3%) driven by continued good demand from automotive markets.

While the wire rod imports needed in our two rubber reinforcement plants in the US have not been affected by the newly installed import duties, the current country exemptions have a temporary character and we do remain cautious about future developments in US trade policy. We are actively taking mitigating actions to offset as much as possible the risk impact for our business and for our customers.

Latin America: -9% consolidated ; +5% combined

In Latin America, the strong organic consolidated sales growth (+11%) was completely offset by the disposal effect (-11%) 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 quarter (+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 (-8%) drove consolidated sales down in Latin America. This was due to the devaluation of most currencies against the euro. The underlying organic growth (+11%) was driven by a much better price-mix and the effect of passed-on higher wire rod prices, while volumes were 5% below the level of last year due to depressed demand in various countries.

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 (+18%) was largely offset by the translation effect of currency movements (-13%), mainly driven by the devaluation of the Brazilian real (almost -20% year-on-year).

Asia Pacific: -2%

Compared with a very strong first quarter last year, Bekaert achieved +5% organic sales growth in Asia Pacific. Volume growth accounted for +2% and the aggregate effect of passed-on higher wire rod prices and price-mix was +3%. The organic sales growth was more than offset by highly unfavorable currency movements (-7%) driven by a weaker Chinese renminbi (-6.5% devaluation) and Indian rupee (-11% devaluation) against the euro, compared with the average rates of the first quarter of 2017.

We expect the underlying run rate in our tire markets to continue, albeit with continued price pressure in a highly competitive environment. Whilst overall solar markets remain strong, we project a further phase-down of our sawing wire business, before the launch of our fixed abrasive sawing wire in the beginning of the second half of the year.

Bridon-Bekaert Ropes Group: -5%

Bridon-Bekaert Ropes Group (BBRG) reported a sales decline of -5.5% compared with the first quarter of 2017. Significant currency movements (-7.5%) more than offset the organic growth (+2%) which resulted from increased volumes (+6.5%) and an unfavorable price-mix (-4.5%).

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 actions to accelerate the turnaround efforts of the business.

Investment update and other information

Net debt was € 1 234 million compared with € 1 151 million at year-end 2017. This was due to increased working capital and capital expenditure.

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.

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 € 49 million in the first quarter of 2018 and included the continuation of the ongoing expansion programs in, amongst others, Romania, Russia, Slovakia, China and India.

Between 1 January 2018 and 31 March 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 28 900 treasury shares in connection with the exercise of stock options. As a result, Bekaert owned 3 959 380 treasury shares at 31 March 2018.

Financial calendar

General Meeting of Shareholders	9	May	2018
Dividend ex-date	11	May	2018
Dividend payable	15	May	2018
2018 half year results	27	July	2018
Third quarter trading update 2018	15	November	2018

Disclaimer

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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.