

Press release

Regulated information

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Press - Investors

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First quarter trading update 2016

Bekaert makes strong start to the year

In the first quarter of 2016, Bekaert achieved strong organic volume growth in tire cord and other automotive steel wire products, stemming from firm demand in automotive markets and increased market share in Chinese tire markets. The tire industry in China has been boosted in anticipation of new US import duties and increasing raw material prices. This effect will not be repeated in the second half of the year. Demand for Bekaert's Dramix® steel fibers for concrete reinforcement increased steadily, especially in EMEA markets. In energy markets, Bekaert recorded robust growth in sawing wire on the wave of continued good demand in solar markets, but saw demand from the oil and gas sector worsen at a global level.

Bekaert achieved consolidated sales of €884 million in the first quarter of 2016. Compared with the same quarter last year, our robust organic volume growth (+5.5%) was, as forecasted, fully offset by significantly lower wire rod prices (-6%) which were passed on to our customers. Mix improvements (+3%) more than compensated for a continued price erosion in tire markets (-2%). The net effect of acquisitions (+2%) and divestments (-2%) was neutral, but unfavorable currency movements drove consolidated sales down by 2%.

Combined sales¹ decreased by 7% to €1 030 million as a result of unfavorable currency effects (-6%), mainly driven by the drastic devaluation of the Brazilian real in comparison with the same period last year. The net effect of acquisitions and divestments was negative (-1%) due to a transfer of control in a Chinese partnership. The organic growth was, also on the combined level, entirely offset by lower raw material prices.

Outlook

Bekaert's strong start to 2016 is expected to continue in the second quarter. However, we do perceive more uncertainty for the second half of the year, as we see risk that tire markets will then slow. We also project a significant impact from continued economic and political instability in Latin America and from postponed investments and low activity in global oil and gas markets, partially offset by solar markets remaining strong.

Wire rod prices have picked up significantly since the start of the second quarter but there are no indications that this is a structural, demand-driven rebound. We anticipate the year-on-year effect in our consolidated top line to tail off to -5% for the first half of 2016.

Despite our concerns over the second half, we remain confident of the impact and potential of our actions to improve our underlying business.

Provided there will be no exceptional circumstances,

- we have the ability to outperform the market environment in 2016
- we reiterate our view that we will take a very significant step towards our 7% REBIT target in 2016.

In fact, we are confident that we will exceed the target in the first half of the year and believe this will provide us with the cushion to compensate for the worsening market conditions and normal seasonality that we project for the second half of the year.

¹ Combined sales are sales of consolidated companies plus 100% of sales of joint ventures and associates after intercompany elimination.
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Consolidated and combined sales by segment

First quarter consolidated sales in millions of €

Consolidated sales	2015	2016	Variance	Share	FX impact ²
EMEA	313	307	-2%	35%	-1
North America	153	146	-4%	17%	+2
Latin America	195	173	-12%	20%	-16
Asia Pacific	243	258	+6%	29%	-6
Total	904	884	-2%	100%	-21

First quarter combined sales in millions of €

Combined sales	2015	2016	Variance	Share	FX impact
EMEA	311	307	-1%	30%	-1
North America	153	146	-4%	14%	+2
Latin America	393	319	-19%	31%	-66
Asia Pacific	249	258	+4%	25%	-6
Total	1 106	1 030	-7%	100%	-71

Sales by segment

EMEA

Demand from European automotive and other industrial and construction markets boosted volume growth by more than 3% in spite of the volume losses due to Bekaert's exit from the stainless steel wire activities and the divestment of the carding solutions business. Energy-related markets signaled a slowdown in demand and are projected to worsen in the near future.

Wire rod price decreases, which are passed on to our customers, drove sales down by -4.5% in the first quarter, compared with the same period last year. The prices have picked up since the beginning of the second quarter onwards.

North America

Bekaert's activities in North America recorded an organic volume growth of 7% which was entirely offset by the decrease in wire rod prices. Currency effects drove up sales by 2% while price pressure and an unfavorable mix accounted for -3% on sales.

Automotive and industrial wire markets performed well, while decreased demand from the oil and gas sector drove sales of ropes and profiled wires down. Bekaert's Rome plant in Georgia, US, which was reconstructed after a fire led to a shutdown of almost one year, accounted for the significant volume increase.

Bekaert projects continued solid long term demand from the tire manufacturers in North America and therefore is launching a program to significantly expand its capacity at the Rogers (Arkansas, US) tire cord plant.

Actions have been put in place to raise our competitiveness in target markets. We do, however, project an increasing impact from the low extraction and investment activity in oil markets.

² Foreign exchange impact on first quarter sales in 2016.

Latin America

In Latin America, consolidated sales were down due to the translation effect of adverse exchange rate movements (-9%) and a volume decrease of -11% which was mainly driven by the shutdown of our operations in Venezuela (-9%). Significant fluctuations of local currencies against the US\$ explain the counterbalancing effects of wire rod prices (-11%) and the price-mix from sales in local currency (+12%).

Bekaert's combined sales in Latin America were significantly down due to the sharp devaluation of the Brazilian real (-33% compared with the first quarter of 2015).

Bekaert perceives increased instability in the whole region, with a weakening business climate in Brazil, Peru and Ecuador. In Venezuela, we were forced to shut down operations in February 2016 due to raw material shortage. Notwithstanding the economic evolutions in Latin America, Bekaert expects to maintain the benefits of its strong market positions, sustained cost savings and an improved business portfolio.

Asia Pacific

Bekaert achieved 6% sales growth in Asia Pacific. Strong demand from automotive and solar markets boosted organic volume growth by 14%. Bekaert further increased its market share in the highly competitive tire markets. Price erosion drove sales down by -4% and was partly compensated by a better product-mix (+2%). Wire rod prices decreased by 6% in comparison with the first quarter of 2015 and currency effects accounted for -2.5%. The net effect of acquisitions and divestments was +2%.

Bekaert improved its portfolio by decreasing the share of loss-making and low margin businesses while growing the share of high value added activities. Sawing wire sales, in particular, increased by 18% over the first quarter of 2015 and accounted for almost 14% of sales in Asia Pacific.

Divestments included the Asian activities of the carding solutions business (China, India) in May 2015; the exit from stainless steel wire activities (India) in October 2015 and the deconsolidation of the loss-generating entities in Xinyu (China) at the end of 2015. Bekaert acquired over the course of 2015 the former Pirelli steel cord plant in China and the former Arrium ropes plant in Australia (both have been included in the consolidated statements since March 2015).

We project our ongoing efforts will continue to enhance our competitive position and product portfolio in the region. Tire markets may slow down in the second half of 2016 after a demand boost presumably in anticipation of the expected US trade barriers against Chinese truck tires.

Other information

Net debt was € 881 million compared with € 832 million at year-end 2015. This was due to increased working capital as a result of seasonal effects and strong volume growth, particularly in China. Bekaert expects to keep its net debt below € 900 million, despite the fact that the company will pay dividends as from 17 May 2016.

On 7 December 2015 Bekaert announced the intended merger of the ropes and advanced cords businesses of Bekaert and Bridon, in a 67/33 joint venture with Ontario Teachers' Pension Plan. The definitive merger agreement is subject to customary closing conditions including regulatory approvals, and is expected to be completed in the first half of 2016. 5 out of 7 approvals were obtained at the end of April 2016.

On 23 March 2016 Bekaert announced a major expansion program for the tire cord plant in Rogers (Arkansas, US). This expansion will contribute to the growth of the automotive markets in the US. In order to accommodate for the projected growth, Bekaert will add an additional 50% production capacity to the Rogers plant, which will result in over 100 additional jobs.

Since 1 January 2016, 251 284 treasury shares were disposed of in connection with the exercise of stock options and the sale to members of the Bekaert Group Executive in the context of the new Bekaert Personal Shareholding Requirement Plan. As a result, the company currently owns 3 997 426 treasury shares.

Related press release: a second press release will be issued today, after the annual General Meeting of Shareholders. [Significant changes to the Board of Directors](#) as well as other decisions are subject to approval of the General Meeting.

Financial calendar

General Meeting of Shareholders	11	May	2016
Dividend ex-date	12	May	2016
Dividend payable	17	May	2016
2016 half year results	29	July	2016
Third quarter trading update 2016	18	November	2016

Disclaimer

This press release may contain forward-looking statements. Such statements reflect the current views of management regarding future events, and involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Bekaert is providing the information in this press release as of this date and does not undertake any obligation to update any forward-looking statements contained in this press release in light of new information, future events or otherwise. Bekaert disclaims any liability for statements made or published by third parties and does not undertake any obligation to correct inaccurate data, information, conclusions or opinions published by third parties in relation to this or any other press release issued by Bekaert.

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 € 4.4 billion in annual revenue.