

Press release

Regulated information

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Press - Investors
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Third quarter trading update 2017

Bekaert achieves 11% top line growth

Sales¹

Bekaert achieved consolidated sales of € 3 073 million in the first nine months of 2017, up more than 11% from the same period last year. The consolidated sales growth stemmed from increased organic sales (+7.5%), the net effect of mergers, acquisitions and divestments (+3.7%) and limited currency effects (+0.3%). The organic growth was driven by higher sales volumes (+2.5%) and the aggregate effect of wire rod price increases and price-mix (+5%).

The key trends in the third quarter were:

- Continued firm demand from automotive and construction markets.
- In EMEA and Asia Pacific, volumes were back in line with the growth of the first quarter of 2017, which boosted the consolidated organic volume growth in the third quarter (+6.3% versus Q3 last year).
- The performance gap between Latin America and the other regional segments is widening.
- Wire rod prices increased significantly and were difficult to pass on in almost all of our businesses.
- Demand for Bekaert's loose abrasive sawing wire products contracted due to the acceleration of the technology shift towards new generation solutions.
- The net effect of mergers, acquisitions and divestments turned negative in the third quarter (-2%) and related to the integration of Sumaré (Brazil) into the joint-venture partnership with ArcelorMittal through which it has been accounted for under the equity method since 1 July 2017. The integration of the Bridon activities into the Bridon-Bekaert Ropes Group (in Bekaert's consolidated statements since the end of June 2016) no longer had an acquisitive effect in this quarter.
- Most currencies lost ground to the euro in the course of recent months. These evolutions almost neutralized the favorable effects of the first half.

Combined sales² totaled € 3 595 million in the first nine months of 2017, up more than 11% from the same period last year. Organic growth was 5.5% at the combined level. The impact of mergers, acquisitions and divestments was +3.7% and currency effects accounted for +2%. Our joint ventures in Brazil reported lower volumes due to weak economic conditions in the country. The Brazilian real devalued significantly in the course of the third quarter, after the strong revaluation of the first half of 2017.

¹ The figures in this press release are provisional and unaudited.

² Combined sales are sales of consolidated companies plus 100% of sales of joint ventures and associates after intercompany elimination.

Outlook

Market developments

Bekaert has reported solid underlying volume growth over the first nine months of the year, particularly in automotive and construction markets. We project continued strong demand in these sectors, while taking into account normal year-end seasonality.

The oil prices have been rising slowly but steadily for the last 6 months. If this trend continues, we may start to see some investment activity in this market in the near future. This would create opportunities for Bekaert's profiled wires for flexible pipes as well as for the Bridon-Bekaert Ropes Group where the projected recovery is taking longer than anticipated in the ropes part of the business.

We see little signs of recovery in Latin America and the uncertainty in the US is creating an increasingly difficult economic business climate.

The technology shift to new generation sawing wire solutions in solar markets is rapidly driving down demand for our loose abrasive wire products.

It has been extremely difficult to pass on raw materials price increases in almost all of our businesses. This is a very unusual dynamic in our industry and it is stopping us from being able to turn improved volumes into incremental profitability in the short term.

Business developments

As reported before, the integration of the formerly wholly-owned subsidiary in Sumaré (Brazil) into the partnership with ArcelorMittal and the full-year integration of the Bridon business in Bridon-Bekaert Ropes Group at lower than average margins, will have an adverse impact on Bekaert's 2017 margins.

The pricing environment in the market today will not allow us to turn our improved volumes into incremental profit this year. We continue to forecast that we will broadly repeat the underlying EBIT performance of FY2016.

Moving forward, there will be more positive growth into 2018 as our actions to drive value creation will be gaining impact. We also remain confident about our underlying strategy and about the effectiveness of our transformation and investment programs that will allow us to move towards a 10% underlying EBIT margin over the coming years.

Consolidated and combined sales by segment – in millions of €

Consolidated sales	2016	2017	Share	Variance ³	Organic	FX ⁴	M&A
EMEA	876	956	31%	+9%	+9%	-	-
North America	391	421	14%	+8%	+8%	-	-
Latin America	504	508	17%	+1%	+1%	+4%	-4%
Asia Pacific	778	846	28%	+9%	+11%	-2%	-
BBRG	210	342	11%	+63%	+4%	+1%	+58%
Total	2 759	3 073	100%	+11%	+7.5%	-	+4%
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Combined sales ⁵	2016	2017	Share	Variance ³	Organic	FX ⁴	M&A
EMEA	875	949	26%	+8%	+8%	-	-
North America	391	421	12%	+8%	+8%	-	-
Latin America	979	1 038	29%	+6%	-2%	+8%	-
Asia Pacific	778	845	24%	+9%	+11%	-2%	-
BBRG	209	342	10%	+64%	+4%	+1%	+58%
Total	3 232	3 595	100%	+11%	+5.5%	+2%	+4%

2017 quarter-on-quarter progress - in millions of €

Consolidated sales	1 st Q	2 nd Q	3 rd Q	Q3 y-o-y ⁶
EMEA	325	328	303	+13%
North America	147	140	134	+6%
Latin America	183	173	151	-14%
Asia Pacific	290	275	281	+7%
BBRG	117	117	108	-
Total	1 061	1 035	977	+4%

Combined sales	1st Q	2nd Q	3rd Q	Q3 y-o-y ⁶
EMEA	321	326	302	+13%
North America	147	140	134	+6%
Latin America	350	342	347	+1%
Asia Pacific	290	275	280	+7%
BBRG	117	117	108	-
Total	1 223	1 201	1 172	+6%

³ Comparisons are made relative to the figures for the first nine months of 2016, unless when otherwise indicated.

⁴ Foreign exchange impact on sales over the first nine months of 2017 – in millions of €.

⁵ Combined sales are sales of consolidated companies plus 100% of sales of joint ventures and associates after intercompany elimination.

⁶ Q3 year-on-year sales: 3rd quarter 2017 versus 3rd quarter 2016.

Performance by segment

EMEA

Bekaert's activities in EMEA achieved 9% organic sales growth over the first nine months of 2017, compared with the same period last year. Third quarter sales were up 13%, mainly driven by firm volume growth (+10%). Strong automotive, construction and other industrial markets boosted the volume growth while demand for profiled wires remained low due to lagging investment activity in the oil and gas sector.

While taking into account the usual seasonal effects at year-end, we anticipate continued solid demand from most markets. The steadily increasing oil prices may induce some investment activity in oil markets in the near future.

North America

Bekaert's activities in North America achieved almost 8% sales growth in the first nine months of 2017, all of which was organic. Currency effects were neutral on a year-to-date basis. The organic growth was +2% from higher volumes and almost +6% from passed-on higher wire rod prices and price-mix effects.

Automotive, industrial and specialty steel wire markets performed well.

We expect lower sales volumes in the last quarter of the year due to the normal seasonality impacts and the economic uncertainty in the US.

Latin America

In Latin America, consolidated sales were about stable (+1%) for the first nine months of 2017. Third quarter sales were 14% lower compared with the same quarter last year due to the divestment impact of the integration of the Brazilian tire cord plant in Sumaré into the partnership with ArcelorMittal as from 1 July 2017. This effect is not visible in the combined sales for the quarter (+1%) which include sales from both our consolidated entities and 100% of the revenue of the Brazilian joint ventures.

On a year-to-date basis, consolidated organic volumes were down 4% from last year and the aggregate effect of higher wire rod prices and price-mix was +5%. The translation effect of currency movements declined to +4% due to weakening local currencies. The divestment impact of the Sumaré deal accounted for -4% on consolidated sales.

Bekaert perceives a weak business climate in most countries with little signs of recovery in the near future.

Asia Pacific

Compared with the first nine months of 2016, Bekaert achieved 11% organic sales growth in Asia Pacific. The aggregate effect of increased wire rod prices and price-mix boosted sales by +7.5%. Volume growth added more than +3% and was driven by strong volumes in the third quarter (+10%), following a drop in the second quarter. The effect of currency movements was -2% due to weaker Asian currencies in the third quarter.

Bekaert's rubber reinforcement activities recorded robust growth across the region and also the other automotive related activities performed well. Demand for sawing wire has further declined in the third quarter due to an acceleration of the technology shift to new generation products.

We expect the high run rate in our tire markets to continue into the final quarter of the year. We project a further decline in our sawing wire activities and are taking actions to upgrade our offering so we can play a part in the ongoing technology shift.

Bridon-Bekaert Ropes Group

Compared with the first nine months of 2016, Bridon-Bekaert Ropes Group achieved 63% sales growth. The integration of the Bridon activities since the end of June 2016 accounted for an increase of 58%. The segment reported an organic sales growth of +4% driven by volume growth in the ropes activities (+11%) and in the advanced cords business (+16%). Price-mix effects were 7.5% negative and currency movements accounted for +1%.

The management of Bridon-Bekaert Ropes Group is implementing actions to strengthen its market position and to gradually leverage the benefits of its increased scale through improvements in the manufacturing footprint and global business portfolio. The projected recovery is taking longer than anticipated in the Ropes business. Advanced Cords business activities have performed strongly throughout the first nine months of the year and are projected to continue to perform well. The slow but steady increase of oil prices may improve demand in the oil & gas sector. The order books for our steel ropes business are modestly growing, but they have an extended delivery window with limited growth effects before the end of 2017.

Investment update and other information

Net debt was € 1 205 million as at 30 September 2017, € 126 million up from 30 September 2016 and € 137 million up from year-end 2016. This was mainly the result of an increase in working capital and a higher level of capital investments. Bekaert projects a year-end net debt closing balance at the current level.

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 € 180 million in the first nine months of 2017. We intend to invest € 250 million for FY2017, around € 100 million higher than last year.

Since 1 July 2017, Bekaert disposed of 10 167 treasury shares in connection with the exercise of stock options and the Bekaert Personal Shareholding Requirement Plan. As a result, the company currently owns 3 523 680 treasury shares.

Financial calendar

2017 full year results	28	February	2018
2017 annual report available on the Internet	30	March	2018
First quarter trading update 2018	9	May	2018
General Meeting of Shareholders	9	May	2018
2018 half year results	27	July	2018
Third quarter trading update 2018	15	November	2018

Disclaimer

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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.