31 July 2020 • 7:15 a.m. CET

2020 first half-year results

Bekaert counters significant impact of Covid-19 through effective mitigating measures and performance improvements

Safe working conditions • strong cash flow and liquidity • solid uEBIT margin in depressed markets

The turnaround of Steel Wire Solutions and Bridon-Bekaert Ropes Group and the effectiveness of implemented measures moderate the impact of Covid-19 on the Rubber Reinforcement business.

Financial highlights H1 2020[1]

- Consolidated sales of € 1 770 million (-20%) and combined sales of € 2 065 million (-21% down vs H1 2019)
- Underlying EBIT of € 92 million, delivering a solid margin on sales of 5.2%, compared to 5.7% in H1 2019
- Underlying EBITDA of € 194 million, generating a higher margin on sales (11.0%) than in H1 last year (10.8%)
- Working capital reduction of € -236 million compared to H1 last year, despite reduced factoring utilization
- Positive cash flow generation: cash flows from operating activities amounted to € 111 million (vs € 134 million)
- Very strong liquidity: € 834 million cash on hand, doubling 30 June 2019 levels
- Net debt of € 955 million, approximately € -300 million down from € 1 253 million as at 30 June 2019, and a further decrease (€ -22 million) from the close of 2019. This resulted in a net debt on underlying EBITDA of 2.5, down from 2.6 on 30 June last year.

Market developments and priorities

Market developments in the first half of 2020

Demand from **tire and automotive** markets was significantly impacted by the Covid-19 pandemic, first in China and quickly followed in the rest of the world. Global tire demand on average reduced by -40% in the second quarter but showed some signs of demand recovery at the end of the period.

Construction activity was in most parts of the world constrained by the lockdowns of the second quarter, except in China, where stimulus programs started to boost infrastructure investment.

Demand from **agriculture**, **utility**, and **mining** markets remained solid across the first half of 2020 as these sectors – generally considered as ‘essential industries’ – appeared to be less affected by the Covid-19 pandemic.

Bekaert’s priorities in the first half of 2020

- **Health and Safety** of our employees: we proactively implemented actions to promote smart working in all areas of the business and enforced rigorous discipline in protective measures. The safety of our team members and their families was the key priority.
- **Customer centricity**: we have continued to serve our customers throughout the first half of 2020, ensuring that their businesses did not suffer from any supply disruptions. We stayed in close contact with our customers in order to understand their current and future needs and supported them in every possible way.
- **Managing liquidity and cost** to mitigate the impact of the pandemic on our business. We kept strict control on working capital, capital expenditure and debt and we implemented measures to flex our fixed costs and lower the cost structure.

[1] All comparisons made are relative to the first half of 2019.

Focus and effectiveness of our actions

- We coordinated and enforced strict measures around the globe to **prevent the infection risks** in our sites and create awareness in and beyond the workplace. We have, however, been confronted with a number of covid-19 infections among our workforce during the 2nd quarter, particularly in Latin America.
- **Business Unit performance:**
    - The business units Steel Wire Solutions and Bridon-Bekaert Ropes Group accelerated the implementation of profit restoration measures and succeeded in substantially improving their business-mix, driving a solid turnaround in profitability and cash generation.
    - The business unit Specialty Businesses further enhanced its strong margin level through stringent cost control and an improved product-mix in building products.
    - The business unit Rubber Reinforcement implemented extensive measures to partially mitigate the inevitable margin impact from a -43% sales collapse in the second quarter, resulting from the crisis in the tire & automotive industry.
- **Working capital** has been kept under tight control with significantly lower inventory levels, improved payment terms, and successful cash collection actions. Total working capital was € 720 million on 30 June 2020, down € -236 million from the same period last year, despite a reduction in factoring usage of € -32 million.
- **Capital expenditure** was limited to the necessary projects and amounted to € 37 million (PP&E) versus € 48 million in the first half of last year.

The actions implemented during the last 12 months demonstrated their effectiveness in strengthening Bekaert's resilience. Despite a substantially reduced demand (-30% sales decline in the second quarter and -20% over the first half) we achieved a solid underlying EBIT margin on sales of 5.2% versus 5.7% in the first half of last year.

Profit restoration actions have significantly strengthened the profitability of Steel Wire Solutions and Bridon-Bekaert Ropes Group. Their robust performance improvement partially offset the severe impact of the crisis on the Rubber Reinforcement business.

Outlook

The Covid pandemic impacted the business significantly in the first half. At present, all Bekaert's production plants globally are operational, either fully or partially.

We project a gradual recovery in tire markets in the remainder of the year. Demand evolutions in other markets are more difficult to project in the current economic environment.

We will continue to implement mitigating actions and other improvement measures and we expect continued impact from the progress made in strengthening our resilience.

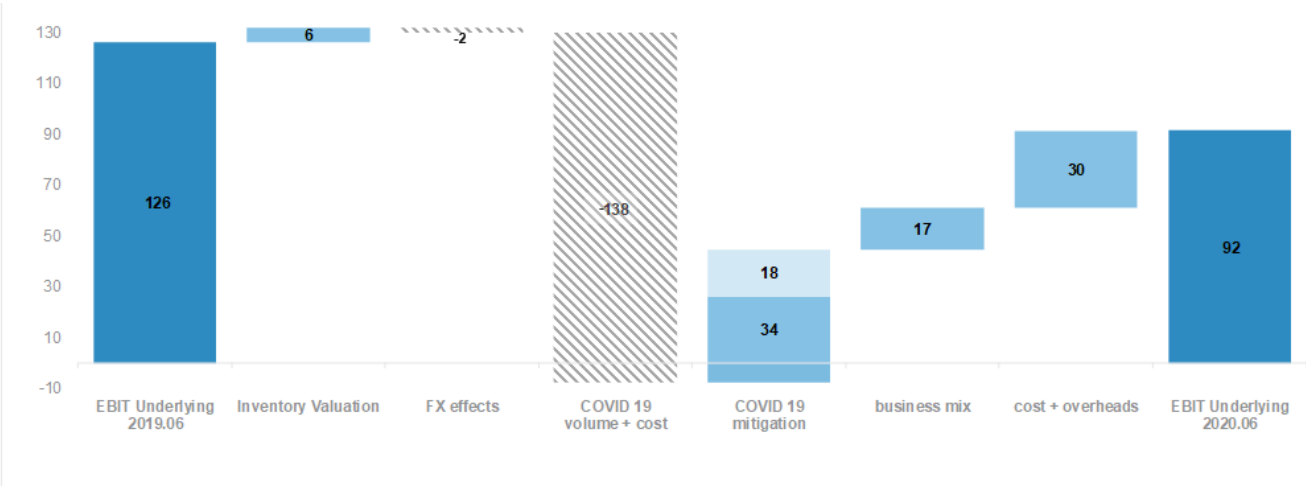
The current evolutions and potential second wave risk of the Covid-19 pandemic continue to create a high level of uncertainty. In this context, we have limited visibility on the full-year impact in our markets and our business.

Financial Statements Summary

in millions of €	Underlying H1 2019	Underlying H2 2019	Underlying H1 2020	Reported H1 2019	Reported H2 2019	Reported H1 2020
Consolidated sales	2 218	2 104	1 770	2 218	2 104	1 770
Operating result (EBIT)	126	116	92	115	40	87
EBIT margin on sales	5.7%	5.5%	5.2%	5.2%	1.9%	4.9%
Depreciation, amortization and impairment losses	112	114	103	111	137	101
EBITDA	239	230	194	226	178	188
EBITDA margin on sales	10.8%	10.9%	11.0%	10.2%	8.4%	10.6%
ROCE	9.3%	9.5%	7.7%	8.5%	6.1%	7.3%
Combined sales	**2 619**	**2 513**	**2 065**	**2 619**	**2 513**	**2 065**

Underlying EBIT bridge

in millions of €



Bekaert's H1 underlying EBIT was € 92 million, reflecting a margin on sales of 5.2% (compared with 5.7% in the same period last year). The volume drop and related under-absorption of costs resulting from the impact of Covid-19 amounted to € -138 million. Wire rod inventory valuation effects totaled € +6 million and currency movements were € -2 million. Covid-19 mitigating actions enabled a partial flexing of fixed cost and overheads through furlough schemes and temporary plant shutdowns and totaled € +52 million (€ +34 million positive impact in cost of sales and € +18 million in overheads). Better segmentation, product portfolio innovations, and reduced presence in lower margin applications contributed to a stronger business mix (€ +17 million). The impact of recent restructuring and saving programs contributed € +30 million, year-on-year.

Sales

Bekaert reported consolidated sales of € 1 770 million in the first half of 2020, -20% down from the same period last year. The organic volume decline was -17.7% (-26.5% in the second quarter). The aggregate effect of passed-on lower wire rod prices and other price-mix elements was -1.1% and the adverse effect of currency movements was -1.4%. Combined sales totaled € 2 065 million, down -21% from the same period last year. The combined organic decline was -16.9% and currency effects, driven by a strong devaluation of the Brazilian real, were -4.3%.

Consolidated and combined sales by segment – in millions of €

Consolidated third party sales	H1 2019	H1 2020	Share	Variance[2]	Organic	FX
Rubber Reinforcement	1 014	709	40%	-30%	-30%	-
Steel Wire Solutions	751	639	36%	-15%	-12%	-3%
Specialty Businesses	202	185	10%	-9%	-8%	-1%
BBRG	242	229	13%	-6%	-4%	-2%
Group	10	9	-	-	-	-
Total	**2 218**	**1 770**	**100%**	**-20%**	**-19%**	**-1%**

Combined third party sales[3]	H1 2019	H1 2020	Share	Variance[2]	Organic	FX
Rubber Reinforcement	1 099	760	37%	-31%	-29%	-2%
Steel Wire Solutions	1 074	892	43%	-17%	-9%	-8%
Specialty Businesses	202	185	9%	-8%	-8%	-1%
BBRG	242	229	11%	-6%	-4%	-2%
Group	1	0	-	-	-	-
Total	**2 619**	**2 065**	**100%**	**-21%**	**-17%**	**-4%**

2020 quarter-on-quarter progress – in millions of €

Consolidated third party sales	1st Q	2nd Q	Q2:Q1	Q2 y-o-y[4]
Rubber Reinforcement	417	292	-30%	-43%
Steel Wire Solutions	345	294	-15%	-22%
Specialty Businesses	98	87	-11%	-17%
BBRG	115	114	-1%	-9%
Group	2	6	-	-
Total	**977**	**793**	**-19%**	**-29%**

Combined third party sales[3]	1st Q	2nd Q	Q2:Q1	Q2 y-o-y[4]
Rubber Reinforcement	451	308	-32%	-44%
Steel Wire Solutions	490	402	-18%	-25%
Specialty Businesses	98	87	-11%	-17%
BBRG	115	114	-1%	-9%
Group	-	-	-	-
Total	**1 154**	**911**	**-21%**	**-31%**

[2] Comparisons are made relative to the first half of 2019, unless otherwise indicated.
[3] Combined sales are sales of fully consolidated companies plus 100% of sales of joint ventures and associates after intercompany elimination.
[4] Q2 year-on-year sales: 2nd quarter 2020 versus 2nd quarter 2019.

Segment reports

Rubber Reinforcement: significantly affected by Covid-19 impact on tire & automotive markets

	Underlying			Reported		
Key figures (in millions of €)	**H1 2019**	**H2 2019**	**H1 2020**	**H1 2019**	**H2 2019**	**H1 2020**
Consolidated third party sales	1 014	939	709	1 014	939	709
Consolidated sales	1 031	955	725	1 031	955	725
Operating result (EBIT)	94	78	28	91	64	27
EBIT margin on sales	9.1%	8.2%	3.9%	8.8%	6.7%	3.7%
Depreciation, amortization and impairment losses	63	59	52	63	68	52
EBITDA	157	137	81	154	132	79
EBITDA margin on sales	15.3%	14.4%	11.1%	15.0%	13.8%	10.9%
Combined third party sales	1 099	1 025	760	1 099	1 025	760
Segment assets	1 683	1 526	1 359	1 683	1 526	1 359
Segment liabilities	290	287	194	290	287	194
Capital employed	1 393	1 239	1 165	1 393	1 239	1 165
ROCE - FY2019 references		13.2%	4.7%		11.9%	4.5%

Bekaert's Rubber Reinforcement business has been most affected by the impact of the Covid-19 pandemic: sales were € 300 million lower (-30%) in the first half of 2020 compared to the same period last year. The volume contraction amounted to -36% in the second quarter (-13.5% in Q1) and was the result of the demand collapse in tire markets, driven by government-mandated lockdowns and customer plant shutdowns in all continents. Demand was at its lowest point in April, with less than half the sales of the same month last year.

The Rubber Reinforcement joint venture in Brazil saw a sales impact of -60% in the second quarter and -40% over the first half, resulting in combined sales for the business unit of € 760 million, -31% lower than previous year.

The severe impact of the Covid-19 pandemic on tire and automotive demand has significantly affected the profit margins of the segment. The extensive measures implemented to flex the fixed costs and lower the cost structure in general, could only partially compensate the steep volume decline.

The segment reported an underlying EBIT of € 28 million or 3.9% margin on sales. Underlying EBITDA was about half the level of the first half of 2019 but continued to generate a double-digit margin (11.1%).

Sales and profitability improved significantly in the month of June and the business unit projects further recovery in the remainder of the year, subject to the evolution and potential for a second wave of the pandemic. At present, the tire sector anticipates improving demand conditions in the third quarter and a moderate rebound in the last quarter of the year.

Steel Wire Solutions: robust profit improvement on lower sales

	Underlying			Reported		
Key figures (in millions of €)	**H1 2019**	**H2 2019**	**H1 2020**	**H1 2019**	**H2 2019**	**H1 2020**
Consolidated third party sales	751	697	639	751	697	639
Consolidated sales	778	714	655	778	714	655
Operating result (EBIT)	28	23	40	26	-1	39
EBIT margin on sales	3.5%	3.2%	6.0%	3.4%	-0.2%	5.9%
Depreciation, amortization and impairment losses	28	28	27	27	41	25
EBITDA	55	51	67	53	40	64
EBITDA margin on sales	7.1%	7.1%	10.2%	6.9%	5.5%	9.8%
Combined third party sales	1 074	1 028	892	1 074	1 028	892
Segment assets	994	879	849	994	879	849
Segment liabilities	296	286	282	296	286	282
Capital employed	697	593	566	697	593	566
ROCE – FY2019 references		7.9%	13.7%		3.9%	13.4%

The business unit Steel Wire Solutions reported a sales decrease of -15% compared with the first half of 2019. This stemmed from a volume decline of -11%, passed-on wire rod price adjustments and other price-mix effects (-1%), and unfavorable currency movements (-3%).

Demand was strong in EMEA and China and in agricultural and utility markets in the US. This was more than offset by the impact of government-mandated lockdowns in India and Latin America and weak demand from automotive and oil & gas markets in general. Part of the sales decrease in Steel Wire Solutions was a result of the company's decision to close the loss-making plants in Shelbyville (US) and Ipoh (Malaysia).

After a solid first quarter, Bekaert's Steel Wire Solutions joint venture in Brazil reported a strong sales decline in Q2, driven by weak demand and the devaluation of the Brazilian real. Sales decreased by -22% over the first half, resulting in combined sales for the business unit of € 892 million, -17% below last year.

Despite the volume decline caused by the Covid-19 pandemic and overall weak conditions in automotive and oil & gas markets, the business unit delivered a robust underlying EBIT result of € 40 million, up +44% from last year and reaching a solid underlying EBIT margin on sales of 6.0% (versus 3.5% in the same period last year). Underlying EBITDA improved accordingly to a double-digit margin of 10.2%.

This strong profitability increase was the result of an improved business mix and footprint optimization (reduced impact of lower margin activities), stringent cost control, and the effectiveness of Covid-19 mitigation actions.

Steel Wire Solutions' sales and margins are expected to trend lower in the second half of the year, due to continued uncertainties in the Americas and the usual seasonality effects of the second half of the year. The segment's performance over the second half should nevertheless improve in comparison with the same period last year.

Specialty Businesses: continued strong profit contribution

	Underlying			Reported		
Key figures (in millions of €)	**H1 2019**	**H2 2019**	**H1 2020**	**H1 2019**	**H2 2019**	**H1 2020**
Consolidated third party sales	202	212	185	202	212	185
Consolidated sales	208	218	188	208	218	188
Operating result (EBIT)	25	27	24	18	16	23
EBIT margin on sales	12.0%	12.4%	12.9%	8.6%	7.5%	12.0%
Depreciation, amortization and impairment losses	8	7	7	10	8	7
EBITDA	33	34	31	27	24	30
EBITDA margin on sales	15.7%	15.8%	16.6%	13.2%	11.0%	15.7%
Segment assets	320	302	317	320	302	317
Segment liabilities	68	67	69	68	67	69
Capital employed	252	235	248	252	235	248
ROCE – FY2019 references		22.4%	20.1%		14.6%	18.7%

The business unit Specialty Businesses reported a sales decline of -8.5% in the first half of 2020, particularly driven by lower demand in the second quarter, both in Building Products and Fiber Technologies. Combustion Technologies reported a moderate decrease and the sales level of the Sawing Wire activities remained limited.

Demand from construction markets, still strong in the first quarter of the year, softened in India, Latin America and Turkey as a result of the Covid-19 pandemic and overall weakening economic conditions. The business mix became stronger by increased demand for the high-end range of Dramix® steel fibers for concrete reinforcement and for innovative masonry reinforcement solutions. In Fiber Technologies, demand from filtration, shielding, and conductive fiber markets offset a part of the sales decline in automotive, aviation and aerospace markets.

Despite the volume impact of the Covid-19 pandemic, the business unit improved its underlying EBIT margin on sales to 12.9%. Underlying EBITDA increased accordingly to a robust margin of 16.6%. This was the result of positive business-mix and footprint improvements in Building Products and stringent cost control and other mitigation actions in all sub-segments.

Business conditions are expected to slow down in the second half of the year due to the usual seasonality effects, growing uncertainty in the Americas, and temporarily suspended tenders for new public infrastructure projects in anticipation of better visibility on government incentives and recovery programs. In Fiber Technologies we project gradually improving conditions in automotive markets and continued weak demand in the aviation and aerospace sector.

Bridon-Bekaert Ropes Group: exceptionally strong step-up in performance

	Underlying			Reported		
Key figures (in millions of €)	**H1 2019**	**H2 2019**	**H1 2020**	**H1 2019**	**H2 2019**	**H1 2020**
Consolidated third party sales	242	246	229	242	246	229
Consolidated sales	244	247	230	244	247	230
Operating result (EBIT)	6	6	24	8	1	24
EBIT margin on sales	2.6%	2.3%	10.3%	3.4%	0.4%	10.3%
Depreciation, amortization and impairment losses	13	19	16	11	20	16
EBITDA	19	25	39	19	20	39
EBITDA margin on sales	8.0%	10.0%	17.2%	7.9%	8.3%	17.2%
Segment assets	603	588	546	603	588	546
Segment liabilities	101	102	84	101	102	84
Capital employed	502	486	462	502	486	462
ROCE – FY2019 references		2.5%	10.0%		1.9%	10.0%

Bridon-Bekaert Ropes Group (BBRG) recorded a sales decline of -6% compared with the first half of 2019, driven by lower volumes.

BBRG's main ropes markets (mining, offshore oil & gas, fishing & marine) have been less affected by the impact of Covid-19 and are generally considered as 'essential industries'. Part of the volume decrease was a result of BBRG's strategy to reduce its presence in lower margin applications.

The A-Cords (advanced cords) business saw continued low demand from automotive markets and solid growth in elevator and timing belt markets, except in North America.

BBRG accelerated the implementation of its profit restoration plan and further boosted profitability with an exceptionally strong product mix and good project business, some provision releases, and significant cost savings and Covid-19 mitigation actions.

The business unit delivered an underlying EBIT of € 24 million, four times the result of the same period last year and reaching an underlying EBIT margin on sales of 10.3% (versus 2.6% in the same period last year). Underlying EBITDA reached an exceptionally strong margin of 17.2%.

BBRG's sales and margins are expected to trend lower in the second half of the year, due to increased uncertainties caused by the Covid-19 pandemic, particularly in the Americas, and the usual seasonality effects of the second half of the year. The segment's performance over the second half should nevertheless considerably improve in comparison with the same period last year.

Investment update and other information

Investments in property, plant and equipment amounted to € 37 million in the first half of 2020, € -11 million below the level of the same period of 2019.

On 10 July 2020 Bekaert announced it had reached a final agreement with three Belgian project developers about the sale of the Bekaert site in Hemiksem, Belgium. The proceeds of the sale (net cash impact of € 23 million) and the reversal of the outstanding provision for soil remediation (€ 13 million) will be booked as one-off revenues (€ 36 million) in Bekaert's income statement when the notary deed will be drawn up, which is planned in October 2020.

Also in July 2020, Bekaert reached a final agreement on the sale of two properties in Belgium, including the land and buildings of former Bekaert production sites in Moen and Zwevegem. The proceeds of the two sales transactions (total cash impact of approximately € 10 million) will be received when the notary deed is drawn up, which is planned in the fourth quarter of 2020. The impact on the consolidated income statement will be limited.

Net debt was € 955 million on 30 June 2020, € -22 million down from € 977 million at the close of 2019 and almost € -300 million down from € 1 253 million on 30 June 2019. Net debt on underlying EBITDA was 2.5, compared with 2.1 at the end of 2019 and 2.6 on 30 June 2019.

Working capital has been kept well under control with significantly lower inventory levels, better aligned payment terms, and successful cash collection actions. Total working capital was € 720 million on 30 June 2020, down € -236 million from the same period last year, despite a reduction in factoring of € -32 million (from € 114 million to € 82 million). Working capital was up € 21 million from the close of 2019: further inventory reduction and lower accounts receivable were more than offset by a decrease in accounts payable balances. The average working capital on sales was 20.1%; up from 18.2% at year-end 2019 and down from 20.6% at 30 June 2019.

Between 1 January 2020 and 30 June 2020, Bekaert sold 10 766 own shares to members of the Bekaert Group Executive in the framework of the Bekaert Personal Shareholding Requirement Plan, granted 5 948 own shares to former members of the Bekaert Group Executive under the Bekaert Share Matching Plan and granted 10 036 own shares to non-executive Directors of Bekaert as remuneration for the performance of the duties as Chairperson or member of the Board of Directors. As a result, Bekaert owned 3 846 325 treasury shares at 30 June 2020.

Financial review

Financial results

Bekaert achieved an operating result (EBIT-underlying) of € 92 million (versus € 126 million in the first half of last year). This resulted in a margin on sales of 5.2% (5.7% in the first half of 2019). The one-off items amounted to € -4.5 million (€ -11.5 million in the first half of 2019) and mainly included restructuring expenses. Including the one-off items, EBIT was € 87 million, representing an EBIT margin on sales of 4.9% (versus € 115 million or 5.2% in the first half of 2019). Underlying EBITDA was € 194 million (11.0% margin) compared with € 239 million (10.8%) and EBITDA reached € 188 million, or a margin on sales of 10.6% (versus 10.2%).

Overhead expenses (underlying) decreased by € -26 million to reach 9.3% on sales. The savings included structural cost measures implemented in the second half of 2019 and mitigation actions to partially offset the impact of Covid-19. Selling and administrative expenses decreased by € -18 million. Research and development expenses amounted to € 25 million, compared with € 33 million in the first half of 2019. The one-off impact on overheads was limited to € -1 million. Other operating revenues and expenses amounted to € +4 million.

Interest income and expenses amounted to € -28 million, down from € -33 million in the first half of 2019 as a result of a lower net debt position this year and lower incurred interest charges related to derivative financial instruments. Other financial income and expenses amounted to € -15 million (versus € -1 million) as a result of realized and unrealized foreign exchange translation effects.

Income taxes decreased from € -32 million to € -23 million. The overall effective tax rate was 53%, down from 73% in 2019.

The share in the result of joint ventures and associated companies was € +13 million, stable compared to the first half of last year.

The result for the period thus totaled € 34 million, compared with € 62 million in the same period of 2019. The result attributable to non-controlling interests was limited (€ +0.4 million versus € +3.8 million last year). After non-controlling interests, the result for the period attributable to equity holders of Bekaert was € 33 million compared with € 58 million. Earnings per share amounted to € +0.59, down from € +0.73 for the year 2019.

Balance sheet

On 30 June 2020, equity represented 33% of total assets, down from 36% at year-end 2019. The gearing ratio (net debt to equity) was 66% (versus 64% at year-end 2019).

Net debt was € 955 million, down from € 977 million as at 31 December 2019 and from € 1 253 million on 30 June 2019. Net debt on underlying EBITDA was 2.5, compared with 2.6 on 30 June 2019 and 2.1 on 31 December 2019.

Cash flow statement

Cash from operating activities amounted to € +111 million, lower than the € +134 million in the first half of 2019 due to the decrease in EBIT.

Cash flow attributable to investing activities amounted to € -47 million (versus € -56 million in the first half of 2019) due to a lower cash-out from capital expenditure.

Cash flows from financing activities totaled € +213 million, compared with € -60 million in the first six months of 2019. The movement in cash and cash equivalents includes a drawdown on committed credit facilities and the refinancing of some local loans.

Cash and cash equivalents at the end of the period totaled € 834 million, about double the amount on the same balance date last year (€ 419 million).

NV Bekaert SA (statutory accounts)

The Belgium-based entity's sales amounted to € 141 million, compared with € 169 million in the first half of 2019. The operating profit before non-recurring results was € 5 million, compared with € 22 million in the first half of 2019. The financial result was € -37 million (versus € +57 million in the first half of 2019). This led to a result for the period of € -31 million compared with € +81 million in the first half of 2019.

Financial Calendar

2020 half year results	31 July	2020
The CEO ad interim and the CFO of Bekaert will present the results to the investment community at 02:00 p.m. CET. This conference can be accessed live upon registration via the Bekaert website (bekaert.com/en/investors) in listen-only mode.		
Dividend payment date	20 November	2020
Third quarter trading update 2020	20 November	2020

Notes

These unaudited and condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. This interim report only provides an explanation of events and transactions that are significant to understand the changes in financial position and financial performance since the last annual reporting period. It should therefore be read in conjunction with the consolidated financial statements for the financial year ended on December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union. In preparing this interim report, the same accounting policies and methods of computation have been used as in the 2019 annual consolidated financial statements. For an overview of the IFRS standards, amendments and interpretations that have become effective in 2020, we refer to the Statement of Compliance (section 2.1) of the financial review in the 2019 Annual Report.

Statement from the responsible persons

The undersigned persons state that, to the best of their knowledge:

- the consolidated condensed interim financial statements of NV Bekaert SA and its subsidiaries as of 30 June 2020 have been prepared in accordance with the International Financial Reporting Standards, and give a true and fair view of the assets and liabilities, financial position and results of the whole of the companies included in the consolidation; and
- the interim management report gives a fair overview of the information required to be included therein.

Taoufiq Boussaid   Chief Financial Officer
Oswald Schmid   Chief Executive Officer ad interim

Risk Factors

On pages 70-75 of our 2019 Annual Report we set out our assessment of the principal risks and uncertainties to which the Company is or may become subject. The Covid-19 pandemic has increased the potential impact of certain of these risks and the longer term impacts will depend on a range of factors including the duration and scope of the pandemic, the geographies impacted, the impact of the pandemic on economic activity and the nature and severity of measures adopted by governments, including restrictions in business operations, travel, mandates to avoid large gathering and orders to self-isolate in place.

The Covid-19 pandemic may have significant negative impacts in the medium and long term on the business. The severity of government-imposed lockdowns and the period for which they continue in different countries will have an impact on demand in those countries. A deterioration in the financial position of suppliers and customers as a result of Covid-19 pandemic may also impact our business. In addition, disruptions as a result of Covid-19 in manufacturing, supply and distribution arrangements, including those of third parties may adversely impact operations.

This applies mainly to the following risks that are further described in the 2019 Annual Report:

- adverse business performance or changes in the underlying economic climate may result in the impairment of assets
- source dependency might impact Bekaert's business activities and profitability
- exposure to regulations and compliance
- exposure to credit risk on contractual trading counterparts

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.

Company Profile

Bekaert (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 28 000 employees worldwide, headquarters in Belgium and € 5 billion in combined revenue.

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bekaert.com

Annex 1: Consolidated income statement

(in thousands of €)	H1 2019	H2 2019	H1 2020
Sales	2 218 184	2 104 266	1 769 909
Cost of sales	-1 916 368	-1 878 952	-1 520 599
Gross profit	**301 816**	**225 315**	**249 310**
Selling expenses	-89 426	-99 180	-80 729
Administrative expenses	-71 258	-56 418	-59 594
Research and development expenses	-33 355	-37 374	-25 514
Other operating revenues	12 162	15 493	10 810
Other operating expenses	-5 382	-7 376	-7 266
Operating result (EBIT)	**114 557**	**40 460**	**87 017**
of which			
EBIT - Underlying	**126 082**	**115 827**	**91 537**
One-off items	**-11 525**	**-75 366**	**-4 520**
Interest income	1 330	1 511	1 366
Interest expense	-34 694	-34 472	-29 298
Other financial income and expenses	-578	-17 793	-15 174
Result before taxes	**80 615**	**-10 293**	**43 911**
Income taxes	-32 251	-18 830	-23 319
Result after taxes (consolidated companies)	**48 364**	**-29 123**	**20 592**
Share in the results of joint ventures and associates	13 438	15 521	13 204
RESULT FOR THE PERIOD	**61 801**	**-13 601**	**33 796**
Attributable to			
equity holders of Bekaert	*58 001*	*-16 673*	*33 354*
non-controlling interests	*3 800*	*3 071*	*442*
EARNINGS PER SHARE (in € per share)			
Result for the period attributable to equity holders of Bekaert			
Basic	1.03		0.59
Diluted	0.99		0.59

Annex 2: Reported and Underlying

(in thousands of €)	H1 2019	H1 2019	H1 2019	H1 2020	H1 2020	H1 2020
	Reported	of which underlying	of which one-offs	Reported	of which underlying	of which one-offs
Sales	2 218 184	2 218 184		1 769 909	1 769 909	
Cost of sales	-1 916 368	-1 909 148	-7 220	-1 520 599	-1 517 539	-3 059
Gross profit	**301 816**	**309 036**	**-7 220**	**249 310**	**252 370**	**-3 059**
Selling expenses	-89 426	-87 939	-1 487	-80 729	-80 888	160
Administrative expenses	-71 258	-69 663	-1 595	-59 594	-58 618	-976
Research and development expenses	-33 355	-33 047	-308	-25 514	-25 208	-306
Other operating revenues	12 162	12 093	69	10 810	10 640	170
Other operating expenses	-5 382	-4 398	-984	-7 266	-6 758	-508
Operating result (EBIT)	**114 557**	**126 082**	**-11 525**	**87 017**	**91 537**	**-4 520**

Annex 3: One-off items

One-off items H1 2020 (in thousands of €)	Cost of Sales	Selling expenses	Admini-strative expenses	R&D	Other operating revenues	Other operating expenses	Total
Restructuring programs by segment							
Rubber Reinforcement[5]	-1 410	-	-	-	-	-52	-1 461
Steel Wire Solutions[6]	-88	125	-847	-	123	-39	-726
Specialty Businesses[7]	-1 523	-7	-11	-	19	-196	-1 718
Bridon-Bekaert Ropes Group (BBRG)	6	41	-81	-	56	-	22
Group	-45	-	139	-306	-	-222	-433
Intersegment	-	-	-	-	-27	-	-27
Total restructuring programs	**-3 059**	**160**	**-801**	**-306**	**170**	**-508**	**-4 344**
Other events and transactions							
Steel Wire Solutions	-	-	-79	-	-	-	-79
Bridon-Bekaert Ropes Group (BBRG)	-	-	-43	-	-	-	-43
Group	-	-	-54	-	-	-	-54
Total other events and transactions	**-**	**-**	**-176**	**-**	**-**	**-**	**-176**
Total	**-3 059**	**160**	**-976**	**-306**	**170**	**-508**	**-4 520**

One-off items H1 2019 (in thousands of €)	Cost of Sales	Selling expenses	Admini-strative expenses	R&D	Other operating revenues	Other operating expenses	Total
Restructuring programs by segment							
Rubber Reinforcement[5]	-2 622	-	-31	-	0	-13	-2 665
Steel Wire Solutions	722	-22	-208	-	-	2	494
Specialty Businesses[7]	-4 855	-767	-18	-	69	-369	-5 940
Bridon-Bekaert Ropes Group (BBRG)	6	-19	-49	-	-	-190	-251
Group	-10	-647	-1 172	-208	-	-414	-2 452
Total restructuring programs	**-6 759**	**-1 455**	**-1 477**	**-208**	**69**	**-983**	**-10 814**
Impairment losses/ (reversals of impairment losses) other than restructuring							
Bridon-Bekaert Ropes Group (BBRG)	2 255	-	-	-	-	-	2 255
Total other impairment losses/(reversals)	**2 255**	**-**	**-**	**-**	**-**	**-**	**2 255**
Other events and transactions							
Steel Wire Solutions	-1 620	-	-1	-	-	-	-1 620
Specialty Businesses	-1 096	-	-	-100	-	-	-1 196
Bridon-Bekaert Ropes Group (BBRG)	-	-	16	-	-	-	16
Group	-	-33	-133	-	-	-	-166
Total other events and transactions	**-2 715**	**-33**	**-118**	**-100**	**-**	**-**	**-2 966**
Total	**-7 220**	**-1 487**	**-1 595**	**-308**	**69**	**-983**	**-11 525**

[5] Related mainly to the closure of Figline plant (Italy) (2020 and 2019) and Indirect Workforce Program (Indonesia) (2020).
[6] Related mainly to lay-off expenses in Latin America, restucturing expenses and reversal impairment losses in North America.
[7] Related mainly to the Dramix plant closure in Belgium (2020 and 2019) and in Costa Rica (2019).

Annex 4: Reconciliation of segment reporting

Key Figures per Segment[8]: Underlying

(in millions of €)	RR	SWS	SB	BBRG	GROUP[9]	RECONC[10]	H1 2020
Consolidated third party sales	709	639	185	229	9	-	1 770
Consolidated sales	725	655	188	230	33	-61	1 770
Operating result (EBIT)	28	40	24	24	-28	3	92
EBIT margin on sales	3.9%	6.0%	12.9%	10.3%	-	-	5.2%
Depreciation, amortization, impairment losses	52	27	7	16	6	-5	103
EBITDA	81	67	31	39	-22	-2	194
EBITDA margin on sales	11.1%	10.2%	16.6%	17.2%	-	-	11.0%
Segment assets	1 359	849	317	546	60	-129	3 001
Segment liabilities	194	282	69	84	70	-37	663
Capital employed	1 165	566	248	462	-10	-92	2 338
ROCE	4.7%	13.7%	20.1%	10.0%	-	-	7.7%
Capital expenditure - PP&E[11]	17	7	11	3	0	-1	37

Key Figures per Segment[8]: Reported

(in millions of €)	RR	SWS	SB	BBRG	GROUP[9]	RECONC[10]	H1 2020
Consolidated third party sales	709	639	185	229	9	-	1 770
Consolidated sales	725	655	188	230	33	-61	1 770
Operating result (EBIT)	27	39	23	24	-28	3	87
EBIT margin on sales	3.7%	5.9%	12.0%	10.3%	-	-	4.9%
Depreciation, amortization, impairment losses	52	25	7	16	6	-5	101
EBITDA	79	64	30	39	-23	-2	188
EBITDA margin on sales	10.9%	9.8%	15.7%	17.2%	-	-	10.6%
Segment assets	1 359	849	317	546	60	-129	3 001
Segment liabilities	194	282	69	84	70	-37	663
Capital employed	1 165	566	248	462	-10	-92	2 338
ROCE	4.5%	13.4%	18.7%	10.0%	-	-	7.3%
Capital expenditure - PP&E[11]	17	7	11	3	0	-1	37

[8] RR = Rubber Reinforcement; SWS = Steel Wire Solutions; SB = Specialty Businesses; BBRG = Bridon-Bekaert Ropes Group
[9] Group and business support
[10] Reconciliation column: intersegment eliminations
[11] Gross increase of PP&E

Key Figures per Segment[12]: Underlying

(in millions of €)	RR	SWS	SB	BBRG	GROUP[13]	RECONC[14]	H1 2019
Consolidated third party sales	1 014	751	202	242	10	-	2 218
Consolidated sales	1 031	778	208	244	46	-87	2 218
Operating result (EBIT)	94	28	25	6	-31	4	126
EBIT margin on sales	9.1%	3.5%	12.0%	2.6%	-	-	5.7%
Depreciation, amortization, impairment losses	63	28	8	13	7	-7	112
EBITDA	157	55	33	19	-24	-3	239
EBITDA margin on sales	15.3%	7.1%	15.7%	8.0%	-	-	10.8%
Segment assets	1 683	994	320	603	63	-136	3 526
Segment liabilities	290	296	68	101	89	-36	808
Capital employed	1 393	697	252	502	-26	-100	2 718
ROCE	13.6%	7.9%	20.7%	2.6%	-	-	9.3%
Capital expenditure - PP&E[15]	27	13	7	4	1	-3	48

Key Figures per Segment[12]: Reported

(in millions of €)	RR	SWS	SB	BBRG	GROUP[13]	RECONC[14]	H1 2019
Consolidated third party sales	1 014	751	202	242	10	-	2 218
Consolidated sales	1 031	778	208	244	46	-87	2 218
Operating result (EBIT)	91	26	18	8	-33	4	115
EBIT margin on sales	8.8%	3.4%	8.6%	3.4%	-	-	5.2%
Depreciation, amortization, impairment losses	63	27	10	11	7	-7	111
EBITDA	154	53	27	19	-26	-3	226
EBITDA margin on sales	15.0%	6.9%	13.2%	7.9%	-	-	10.2%
Segment assets	1 683	994	320	603	63	-136	3 526
Segment liabilities	290	296	68	101	89	-36	808
Capital employed	1 393	697	252	502	-26	-100	2 718
ROCE	13.2%	7.6%	14.7%	3.4%	-	-	8.5%
Capital expenditure - PP&E[15]	27	13	7	4	1	-3	48

[12] RR = Rubber Reinforcement; SWS = Steel Wire Solutions; SB = Specialty Businesses; BBRG = Bridon-Bekaert Ropes Group
[13] Group and business support
[14] Reconciliation column: intersegment eliminations
[15] Gross increase of PP&E

Annex 5: Consolidated statement of comprehensive income

(in thousands of €)	H1 2019	H1 2020
Result for the period	**61 801**	**33 796**
Other comprehensive income (OCI)		
Other comprehensive income reclassifiable to income statement in subsequent periods		
Exchange differences	13 759	-82 585
Inflation adjustments	1 880	-
Deferred taxes relating to reclassifiable OCI	447	-
OCI reclassifiable to income statement in subsequent periods, after tax	**16 086**	**-82 585**
Other comprehensive income non-reclassifiable to income statement in subsequent periods:		
Remeasurement gains and losses on defined-benefit plans	-4 640	-8 111
Net fair value gain (+)/loss (-) on investments in equity instruments designated as at fair value through OCI	-487	-41
Deferred taxes relating to non-reclassifiable OCI	-17	-2 535
OCI non-reclassifiable to income statement in subsequent Periods, after tax	**-5 144**	**-10 687**
Other comprehensive income for the period	**10 942**	**-93 272**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**72 743**	**-59 476**
Attributable to		
equity holders of Bekaert	*67 645*	*-55 563*
non-controlling interests	*5 098*	*-3 913*

Annex 6: Consolidated balance sheet

(in thousands of €)	31-Dec-19	30-Jun-20
Non-current assets	**2 048 037**	**1 938 702**
Intangible assets	60 266	54 077
Goodwill	149 784	149 190
Property, plant and equipment	1 349 657	1 270 554
RoU Property, plant and equipment	149 051	144 409
Investments in joint ventures and associates	160 665	129 009
Other non-current assets	36 281	48 486
Deferred tax assets	142 333	142 976
Current assets	**2 256 647**	**2 408 812**
Inventories	783 030	757 143
Bills of exchange received	59 904	48 938
Trade receivables	644 908	561 850
Other receivables	111 615	112 328
Short-term deposits	50 039	50 320
Cash and cash equivalents	566 176	833 692
Other current assets	40 510	41 116
Assets classified as held for sale	466	3 424
Total	**4 304 684**	**4 347 514**

Equity	**1 531 540**	**1 448 474**
Share capital	177 793	177 793
Share premium	37 751	37 751
Retained earnings	1 492 028	1 511 001
Other Group reserves	-272 462	-360 829
Equity attributable to equity holders of Bekaert	**1 435 110**	**1 365 717**
Non-controlling interests	**96 430**	**82 758**
Non-current liabilities	**1 367 171**	**990 715**
Employee benefit obligations	123 409	146 455
Provisions	25 005	23 796
Interest-bearing debt	1 184 310	784 220
Other non-current liabilities	265	150
Deferred tax liabilities	34 182	36 094
Current liabilities	**1 405 973**	**1 908 324**
Interest-bearing debt	424 184	1 069 833
Trade payables	652 384	539 869
Employee benefit obligations	148 784	109 915
Provisions	30 222	26 875
Income taxes payable	82 411	79 459
Other current liabilities	67 988	82 373
Total	**4 304 684**	**4 347 514**

Annex 7: Consolidated statement of changes in equity

(in thousands of €)	Share capital	Share premium	Retained earnings	Treasury shares	Cumulative translation adjustments	Other reserves	Total	Non-controlling interests	Total equity
	Attributable to equity holders of Bekaert								
Balance as at 1 January 2019 (as previously reported)	**177 793**	**37 751**	**1 484 600**	**-108 843**	**-130 102**	**-64 268**	**1 396 931**	**119 071**	**1 516 002**
First adoption IFRIC 23	-	-	-4 365	-	-	-	**-4 365**	-	**-4 365**
Balance as at 1 January 2019	**177 793**	**37 751**	**1 480 235**	**-108 843**	**-130 102**	**-64 268**	**1 392 566**	**119 071**	**1 511 637**
Result for the period	-	-	58 001	-	-	-	**58 001**	3 800	**61 801**
Other comprehensive income	-	-	2 059	-	12 053	-4 641	**9 471**	1 298	**10 769**
Capital contribution by non-controlling interests	-	-	-	-	-	-	**-**	643	**643**
Equity-settled share-based payment plans	-	-	2 645	-	-	-	**2 645**	-	**2 645**
Treasury shares transactions	-	-	-1 068	1 068	-	-	**-**	-	**-**
Dividends	-	-	-39 557	-	-	-	**-39 557**	-815	**-40 372**
Balance as at 30 June 2019	**177 793**	**37 751**	**1 502 315**	**-107 775**	**-118 049**	**-68 909**	**1 423 126**	**123 997**	**1 547 123**
Balance as at 1 January 2020	**177 793**	**37 751**	**1 492 022**	**-107 463**	**-113 964**	**-51 029**	**1 435 110**	**96 430**	**1 531 540**
Result for the period	-	-	33 354	-	-	-	**33 354**	442	**33 796**
Other comprehensive income	-	-	-	-	-78 658	-10 259	**-88 917**	-4 355	**-93 272**
Effect of other changes in Group structure	-	-	-502	-	-	-	**-502**	-8 468	**-8 970**
Equity-settled share-based payment plans	-	-	6 109	-	-	-	**6 109**	-	**6 109**
Treasury shares transactions	-	-	-201	551	-	-	**350**	-	**350**
Dividends	-	-	-19 787	-	-	-	**-19 787**	-1 291	**-21 079**
Balance as at 30 June 2020	**177 793**	**37 751**	**1 510 995**	**-106 912**	**-192 622**	**-61 288**	**1 365 717**	**82 758**	**1 448 475**

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Annex 8: Consolidated cash flow statement

(in thousands of €)	H1 2019	H1 2020
Operating result (EBIT)	114 557	87 017
Non-cash items included in operating result	125 558	114 346
Investing items included in operating result	436	-136
Amounts used on provisions and employee benefit obligations	-22 148	-26 674
Income taxes paid	-29 848	-25 327
Gross cash flows from operating activities	**188 554**	**149 225**
Change in operating working capital	-65 284	-32 836
Other operating cash flows	10 919	-5 674
Cash flows from operating activities	**134 189**	**110 715**
New business combinations	-	-767
Dividends received	1 023	3 275
Purchase of intangible assets	-3 066	-781
Purchase of property, plant and equipment	-55 394	-49 290
Proceeds from disposals of fixed assets	1 904	545
Cash flows from investing activities	**-55 533**	**-47 018**
Interest received	1 284	1 345
Interest paid	-21 504	-18 103
Gross dividends paid	-41 383	301
Proceeds from long-term interest-bearing debt	361 879	12 762
Repayment of long-term interest-bearing debt	-371 401	-78 086
Cash flows from / to (-) short-term interest-bearing debt	-881	305 301
Treasury shares transactions	-	350
Sales and purchases of NCI	-	-8 970
Other financing cash flows	11 832	-2 025
Cash flows from financing activities	**-60 175**	**212 875**
Net increase or decrease (-) in cash and cash equivalents	**18 481**	**276 572**
Cash and cash equivalents at the beginning of the period	**398 273**	**566 176**
Effect of exchange rate fluctuations	2 149	-9 055
Cash and cash equivalents at the end of the period	**418 902**	**833 692**

Annex 9: Additional key figures

(in € per share)	H1 2019	H1 2020
Number of existing shares at 30 June	60 408 441	60 408 441
Book value	23.56	22.61
Share price at 30 June	23.58	17.45
Weighted average number of shares		
Basic	56 508 707	56 543 997
Diluted	64 031 841	56 594 082
Result for the period attributable to equity holders of Bekaert		
Basic	1.03	0.59
Diluted	0.99	0.59

(in thousands of € - ratios)	H1 2019	H1 2020
EBITDA	225 574	187 797
EBITDA - Underlying	238 555	194 256
Depreciation and amortization and impairment losses	111 017	100 780
Capital employed	2 718 330	2 338 479
Operating working capital	956 237	720 248
Net debt	1 253 108	954 941
EBIT on sales	5.2%	4.9%
EBIT - Underlying on sales	5.7%	5.2%
EBITDA on sales	10.2%	10.6%
EBITDA - Underlying on sales	10.8%	11.0%
Equity on total assets	34.6%	33.3%
Gearing (net debt on equity)	81.0%	65.9%
Net debt on EBITDA	2.8	2.5
Net debt on EBITDA - Underlying	2.6	2.5

NV Bekaert SA - Statutory Profit and Loss Statement

(in thousands of €)	H1 2019	H1 2020
Sales	168 840	141 144
Operating result before non-recurring items	22 334	5 023
Non-recurring operational items	-	259
Operating result after non-recurring items	22 334	5 283
Financial result before non-recurring items	57 719	-36 951
Non-recurring financial items	-479	-348
Financial result after non-recurring items	57 240	-37 299
Profit before income taxes	79 574	-32 017
Income taxes	1 597	1 156
Result for the period	81 171	-30 860

Annex 10: Additional disclosure on critical accounting judgements and key sources of estimation uncertainty

In preparing the Company's interim condensed consolidated financial statements, management makes judgments in applying various accounting policies. The same accounting policies and methods of computation have been used as in the Bekaert 2019 annual consolidated financial statements. In addition, management makes assumptions about the future in deriving critical accounting estimates used in preparing the condensed consolidated financial statements. As disclosed, in the Company's 2019 annual consolidated financial statements, such sources of estimation include estimates on potential impairment of goodwill, tax risks and the future realization of deferred tax assets.

In view of the ongoing uncertainty surrounding the Covid-19 global pandemic and the extent and duration of the impacts that it may have on the Group's business there is potentially an increased risk for future credit losses on receivables, impairments of assets, (including goodwill) and valuation allowances against deferred tax assets that are based on future performance of the Group's business. Moreover, management's view on these might change in future as the insights on the longer-term impact of Covid-19 evolves.

Current expected credit losses

The Group is exposed to credit risk from its operating activities and certain financing activities. See page 173 in the Bekaert Annual Report 2019 for more information.

Due to the COVID-19 crisis, Bekaert applied increased monitoring of the credit risk exposure and took actions to keep the credit risk under control:

- closely follow up on the risk profile evolution of customers, sectors and countries with input from rating agencies, credit analysts and insurance providers;
- stricter blocking policy for new orders/deliveries in case of overdue;
- strict monitoring of the high risk exposure customer;
- in the second quarter, notice has been received that insured credit limits for certain customers have been withdrawn. However the impact of such withdrawal only takes effect after a certain period after the notification; to mitigate this impact, an adjusted new credit insurance policy has been developed for the critical withdrawals and will be in place early H2 2020;
- general bad debt allowance based on prudency principle and in accordance with IFRS made for trade receivables to cover the unknown bad debt risk;
- further regional roll-out of the factoring program.

At 30 June 2020:

- Overdue: 13% (compared to 14% as of June 2019).
- DSO: 68 days (compared to 71 days as of June 2019)
- No large claims were incurred and no significant increase in provision was required based on overdue situation.

Testing of Impairment of Assets, including Goodwill
As a result of the changes in the current economic environment related to the COVID-19 pandemic, management considered these conditions as a triggering event for impairment testing of the Group's assets. The Group performed impairment tests for all its Cash Generating Units (CGU's), also for the ones to which no goodwill is allocated. Based on these tests, management concluded no impairment losses are to be recognized at this point in time.

The discount rate for all tests is based on a (long-term) pre-tax cost of capital, the risks being implicit in the cash flows. A weighted average cost of capital (WACC) is determined for euro, US dollar and Chinese renminbi regions. For cash flow models stated in real terms (without inflation), the nominal WACC is adjusted for the expected inflation rate.

The following rates have been used:

Discount rates for impairment testing		Euro-region	USD-region	CNY- region
HY 2020				
	WACC - nominal - before tax	**7.3%**	**8.8%**	**13.0%**
	expected inflation	1.7%	1.8%	2.9%
	WACC - real - before tax	**5.6%**	**7.0%**	**10.1%**
YE 2019				
	WACC - nominal - before tax	**7.5%**	**9.9%**	**13.4%**
	expected inflation	1.7%	1.8%	2.9%
	WACC - real - before tax	**5.8%**	**8.1%**	**10.5%**

The cash flows used in the testing models reflect estimates for 2020, while independent external reference sources have been used as a basis for expected market evolutions in the subsequent years.

The headroom for impairment, ie the excess of the recoverable amount over the carrying amount of the BBRG CGU is estimated at € 114.5 million (YE 2019: € 76.9 million). Although the execution of the profit restoration plan is currently ahead of schedule, for conservative reasons, a delay by one year of the initial expected cash flows is considered in the impairment testing model. The resulting decrease in headroom is entirely offset by the impact of the lower discount rates.

For the Rubber Reinforcement CGU, market forecasts by LMC Automotive and LMC Tyre & Rubber were used as basis for the valuation model. A weighted nominal pre-tax discount rate of approximatively 10% has been used. Despite the severely affected tire and automotive markets world-wide, management concluded there is no asset impairment issue, even when projections would not be met by 0.5% lower EBITDA margin yearly combined with a 1% higher discount rate.

For the Steel Wire Solutions CGU’s, market forecasts by Oxford Economics were used as basis for the valuation models. Most of the markets served by SWS currently seem less affected by the COVID-19 pandemic. Moreover a number of profitability improving actions have been taken in the past 12 months. The headroom resulting from the multiple impairment testing models, together with scenarios to see the sensitivity of this headroom to changes in assumptions of the business plans, provide enough evidence for management to conclude no impairment issues are incurred.

For the Specialty Businesses CGU’s, even under the very conservative assumption that the current demand is maintained for a very long period, no impairment issues are applicable.

Annex 11: Additional disclosures on disaggregation of revenues

The Group recognizes revenue from the following sources: delivery of products and, to a limited extend, of services and construction contracts. Bekaert assessed that the delivery of products represents the main performance obligation. The Group recognizes revenue at a point in time when it transfers control over a product to a customer. Customers obtain control when the products are delivered (based on the related inco terms in place). The amount of revenue recognized is adjusted for volume discounts. No adjustment is made for return nor for warranty as the impact is deemed immaterial based on historical information.

In the following table, net sales is disaggregated by industry, as this analysis is often presented in press releases, share-holders' guides and other presentations. The table includes a reconciliation of the net sales by industry with the Group's operating segments.

H1 2020 in thousands of €	Rubber Reinforcement	Steel Wire Solutions	Specialty Businesses	BBRG	Group	Consolidated
Industry						
Tire & Automotive	668 988	61 141	16 058	-	-	746 187
Energy & Utilities	-	96 693	20 181	43 925	-	160 799
Construction	-	173 675	127 246	33 563	-	334 485
Consumer Goods	-	48 559	-	-	-	48 559
Agriculture	-	128 145	-	-	-	128 145
Equipment	39 642	40 496	-	59 816	8 761 *	148 715
Basic Materials	-	90 542	17 137	69 275	-	176 954
Other	-	-	4 055	22 010	-	26 065
Total	**708 630**	**639 252**	**184 678**	**228 588**	**8 761**	**1 769 909**

* Sales Engineering

H1 2019 in thousands of €	Rubber Reinforcement	Steel Wire Solutions	Specialty Businesses	BBRG	Group	Consolidated
Industry						
Tire & Automotive	953 418	79 934	18 508	-	-	1 051 860
Energy & Utilities	-	78 149	22 656	44 545	-	145 350
Construction	-	297 156	140 213	32 363	-	469 732
Consumer Goods	-	118 921	-	-	-	118 921
Agriculture	-	119 150	-	-	-	119 150
Equipment	60 386	14 209	-	72 289	9 528 *	156 412
Basic Materials	-	43 379	16 929	72 382	-	132 690
Other	-	-	3 451	20 618	-	24 069
Total	**1 013 804**	**750 898**	**201 757**	**242 197**	**9 528**	**2 218 184**

Annex 12: Additional disclosures on fair value of financial instruments

In accordance with IFRS[16], specific interim disclosures are required regarding the fair value of each class of financial assets and financial liabilities and the way their fair value was measured.

The following tables list the different classes of financial assets and financial liabilities with their carrying amounts in the balance sheet and their respective fair value and analyzed by their measurement category under IFRS 9.

Cash and cash equivalents, short-term deposits, trade and other receivables, bills of exchange received, loans and receivables primarily have short terms to maturity; hence, their carrying amounts at the reporting date approximate the fair values. For the same reason, the carrying amounts of trade and other payables also approximate their fair values. Furthermore, the Group has no exposure to collateralized debt obligations (CDOs).

Abbreviations used are explained below:

Abbreviation	Category in accordance with IFRS 9
AC	Financial assets or financial liabilities at amortized cost
FVTOCI/Eq	Equity instruments designated as at fair value through OCI
FVTPL/Mnd	Financial assets mandatorily measured at fair value through profit or loss
HfT	Financial liabilities Held for Trading
FVO	Fair Value Option: financial liabilities designated as at fair value through profit or loss

[16] IAS 34, Interim Reporting, §16(j), referring to IFRS 7, Financial Instruments: Disclosures, §§ 25, 26 and 28-30, and to IFRS 13, Fair Value Measurement, §§ 91-93(h), 94-96, 98 and 99.

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(in thousands of €)		31-Dec-19		30-Jun-20	
Carrying amount vs fair value	**Category in accordance with IFRS 9**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Assets					
Non-current financial assets					
- Financial & other receivables and cash guarantees	AC	9 026	9 026	9 021	9 021
- Equity investments	FVTOCI/Eq	13 152	13 152	13 048	13 048
- Derivatives					
- Held for trading	FVTPL/Mnd	3 374	3 374	3 682	3 682
Current financial assets					
- Financial receivables and cash guarantees	AC	8 779	8 779	8 358	8 358
- Cash and cash equivalents	AC	566 176	566 176	833 692	833 692
- Short term deposits	AC	50 039	50 039	50 320	50 320
- Trade receivables	AC	644 908	644 908	561 850	561 850
- Bills of exchange received	AC	59 904	59 904	48 938	48 938
- Other current assets					
- Other receivables	AC	17 831	17 831	16 963	16 963
- Derivatives					
- Held for trading	FVTPL/Mnd	4 623	4 623	3 316	3 316
Liabilities					
Non-current interest-bearing debt					
- Leases liabilities	AC	68 525	68 525	65 449	65 449
- Credit institutions	AC	551 387	551 387	518 771	518 771
- Bonds	AC	564 399	567 749	200 000	199 963
Current interest-bearing debt					
- Leases liabilities	AC	19 728	19 728	19 381	19 381
- Credit institutions	AC	358 843	358 843	635 092	635 092
- Bonds	AC	45 614	46 523	415 360	415 429
Other non-current liabilities					
- Conversion option	HfT	115	115	-	-
- Other payables	AC	150	150	150	150
Trade payables	AC	652 384	652 384	539 869	539 869
Other current liabilities					
- Conversion option	HfT	-	-	38	38
- Other payables	AC	26 165	26 165	39 972	39 972
- Derivatives					
- Held for trading	HfT	2 116	2 116	2 214	2 214
Aggregated by category in accordance with IFRS 9					
Financial assets	AC	1 356 662	1 356 662	1 529 143	1 529 143
	FVTOCI/Eq	13 152	13 152	13 048	13 048
	FVTPL/Mnd	7 997	7 997	6 997	6 997
Financial liabilities	AC	2 287 195	2 291 454	2 434 044	2 434 076
	HfT	2 231	2 231	2 252	2 252
	FVO	-	-	-	-

Financial instruments by fair value measurement hierarchy

The fair value measurement of financial assets and financial liabilities can be characterized in one of the following ways:

- *'Level 1'* fair value measurement: the fair values of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices in active markets for identical assets and liabilities. This mainly relates to financial assets at fair value through other comprehensive income such as the investment in Shougang Concord Century Holdings Ltd.
- *'Level 2'* fair value measurement: the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. This mainly relates to derivative financial instruments. Forward exchange contracts are measured using quoted forward-exchange rates and yield curves derived from quoted interest rates matching the maturities. Interest-rate swaps are measured at the present value of future cash flows estimated and discounted using the applicable yield curves derived from quoted interest rates. The fair value measurement of cross-currency interest-rate swaps is based on discounted estimated cash flows using quoted forward exchange rates, quoted interest rates and applicable yield curves derived therefrom.
- *'Level 3'* fair value measurement: the fair values of the remaining financial assets and financial liabilities are derived from valuation techniques which include inputs that are not based on observable market data. The share conversion option in the convertible bond issued in June 2016 is a non-closely related embedded derivative that has to be separated from the host debt instrument and measured at fair value through profit or loss. The fair value of the conversion option is determined as the difference between the fair value of the convertible bond as a whole (mid – source: Bloomberg) and the fair value of the host debt contract using a valuation model based on the prevailing market interest rate for similar plain vanilla debt instruments. The main factors determining the fair value of the convertible bond are the Bekaert share price (level 1), the reference swap rate (level 2), the volatility of the Bekaert share (level 3) and the credit spread (level 3). Consequently, the fair value of the VPPA contract is determined using a Monte Carlo valuation model. The main factors determining the fair value of the VPPA agreement are the discount rate (level 2), the estimated energy output based on wind studies in the area and the off-peak/on-peak price volatility (level 3).

The following table shows the sensitivity of the fair value calculation to the most significant level-3 input for the conversion option and the VPPA agreement.

Sensitivity analysis in thousands of €	**Change**	**Impact on conversion option**	
Volatility	+3.5%	increase by	38
	-3.5%	decrease by	-19
Credit spread	25 bps	increase by	-
	-25 bps	decrease by	-23

Sensitivity analysis in thousands of €	**Change**	**Impact on VPPA derivative**	
Power forward sensitivity	+10%	increase by	1 607
	-10%	decrease by	-1 518
Production sensitivity	+5%	increase by	447
	-5%	decrease by	-447

The following table provides an analysis of financial instruments measured at fair value in the balance sheet, in accordance with the fair value measurement hierarchy described above:

H1 2020 in thousands of €	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets mandatorily measured as at fair value through profit or loss				
Derivative financial assets	*-*	*3 425*	*3 572*	*6 997*
Equity instruments designated as at fair value through OCI				
Equity investments	*5 704*	*7 344*	*-*	*13 048*
Total assets	**5 704**	**10 770**	**3 572**	**20 045**
Financial liabilities held for trading				
Conversion option	*-*	*-*	*38*	*38*
Other derivative financial liabilities	*-*	*2 214*	*-*	*2 214*
Total liabilities	**-**	**2 214**	**38**	**2 252**

2019 in thousands of €	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets mandatorily measured as at fair value through profit or loss				
Derivative financial assets	*-*	*5 505*	*2 492*	*7 997*
Equity instruments designated as at fair value through OCI				
Equity investments	*5 745*	*7 407*	*-*	*13 152*
Total assets	**5 745**	**12 912**	**2 492**	**21 149**
Financial liabilities held for trading				
Conversion option	*-*	*-*	*115*	*115*
Other derivative financial liabilities	*-*	*2 116*	*-*	*2 116*
Total liabilities	**-**	**2 116**	**115**	**2 231**

Annex 13: Other disclosures

Treasury shares

Between 1 January 2020 and 30 June 2020, Bekaert sold 10 766 own shares to members of the Bekaert Group Executive in the framework of the Bekaert Personal Shareholding Requirement Plan, granted 5 948 own shares to former members of the Bekaert Group Executive under the Bekaert Share Matching Plan and granted 10 036 own shares to non-executive Directors of Bekaert as remuneration for the performance of the duties as Chairperson or member of the Board of Directors. As a result, Bekaert owned 3 846 325 treasury shares at 30 June 2020.

Related parties

There were no other related parties transactions or changes that could materially affect the financial position or results of the Group.

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Annex 14: Alternative performance measures: definitions and reasons for use

Metric	Definition	Reason for use
Capital employed (CE)	Working capital + net intangible assets + net goodwill + net property, plant and equipment + net RoU Property, plant and equipment. The weighted average CE is weighted by the number of periods that an entity has contributed to the consolidated result.	Capital employed consists of the main balance sheet items that operating management can actively and effectively control to optimize its financial performance, and serves as the denominator of ROCE.
Capital ratio (financial autonomy)	Equity relative to total assets.	This ratio provides a measure of the extent to which the Group is equity-financed.
Current ratio	Current assets to Current liabilities.	This ratio provides a measure for the liquidity of the company. It measures whether a company has enough resources to meet it short-term obligations.
Combined figures	Sum of consolidated companies + 100% of joint ventures and associates after elimination of intercompany transactions (if any). Examples: sales, capital expenditure, number of employees.	In addition to Consolidated figures, which only comprise controlled companies, combined figures provide useful insights of the actual size and performance of the Group including its joint ventures and associates.
EBIT	Operating result (earnings before interest and taxation).	EBIT consists of the main income statement items that operating management can actively and effectively control to optimize its profitability, and a.o. serves as the numerator of ROCE and EBIT interest coverage.
EBIT – underlying	EBIT before operating income and expenses that are related to restructuring programs, impairment losses, business combinations, business disposals, environmental provisions or other events and transactions that have a material one-off effect that is not inherent to the business.	EBIT – underlying is presented to enhance the reader's understanding of the operating profitability before one-off items, as it provides a better basis for comparison and extrapolation.
EBITDA	Operating result (EBIT) + depreciation, amortization and impairment of assets + negative goodwill.	EBITDA provides a measure of operating profitability before non-cash effects of past investment decisions and working capital assets.
EBITDA – underlying	EBITDA before operating income and expenses that are related to restructuring programs, impairment losses, business combinations, business disposals, environmental provisions or other events and transactions that have a material one-off effect that is not inherent to the business.	EBITDA – underlying is presented to enhance the reader's understanding of the operating profitability before one-off items and non-cash effects of past investment decisions and working capital assets, as it provides a better basis for comparison and extrapolation.
EBIT interest coverage	Operating result (EBIT) divided by net interest expense.	The EBIT interest coverage provides a measure of the Group's capability to service its debt through its operating profitability.
Gearing	Net debt relative to equity.	Gearing is a measure of the Group's financial leverage and shows the extent to which its operations are funded by lenders versus shareholders.
Margin on sales	EBIT, EBIT-underlying, EBITDA and EBITDA-underlying on sales.	Each of these ratios provides a specific measure of operating profitability expressed as a percentage on sales.
Net capitalization	Net debt + equity.	Net capitalization is a measure of the Group's total financing from both lenders and shareholders.
Net debt	Interest-bearing debt net of current loans, non-current financial receivables and cash guarantees, short-term deposits, cash and cash equivalents.	Net debt is a measure of debt after deduction of financial assets that can be deployed to repay the gross debt.
Net debt on EBITDA	Net debt divided by EBITDA.	Net debt on EBITDA provides a measure of the Group's capability (expressed as a number of years) to repay its debt through its operating profitability.
Return on capital employed (ROCE)	Operating result (EBIT) relative to the weighted average capital employed.	ROCE provides a measure of the Group's operating profitability relative to the capital resources deployed and managed by operating management.
Return on equity (ROE)	Result for the period relative to average equity.	ROE provides a measure of the Group's net profitability relative to the capital resources provided by its shareholders.
WACC	Cost of debt and cost of equity weighted with a target gearing of 50% (net debt/equity structure) after tax.	WACC is used to assess an investor's return on an investment in the Company.
Working capital (operating)	Inventories + trade receivables + bills of exchange received + advanced paid - trade payables - advances received - remuneration and social security payables - employment-related taxes.	Working capital includes all current assets and liabilities that operating management can actively and effectively control to optimize its financial performance. It represents the current component of capital employed.

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APM reconciliation table

in millions of EUR	H1 2019	FY 2019	H1 2020
Net debt			
Non-current interest-bearing debt	1 074	1 184	784
Current interest-bearing debt	664	424	1 070
Total financial debt	**1 738**	**1 608**	**1 854**
Non-current financial receivables and cash guarantees	-6	-7	-7
Current loans	-10	-9	-8
Short-term deposits	-50	-50	-50
Cash and cash equivalents	-419	-566	-834
Net debt	**1 253**	**977**	**955**
Capital employed			
Intangible assets	62	60	54
Goodwill	149	150	149
Property, plant and equipment	1 416	1 350	1 271
RoU Property plant and equipment	135	149	144
Working capital (operating)	956	699	720
Capital employed	**2 718**	**2 408**	**2 338**
Weighted average capital employed	**1 349**	**2 540**	**1 187**
Working capital (operating)			
Inventories	914	783	757
Trade receivables	786	645	562
Bills of exchange received	48	60	49
Advances paid	15	16	15
Trade payables	-672	-652	-540
Advances received	-16	-19	-12
Remuneration and social security payables	-115	-125	-103
Employment-related taxes	-5	-9	-8
Working capital (operating)	**956**	**699**	**720**
EBIT Underlying to EBIT	See annex 2-3		
EBITDA			
EBIT	**115**	**155**	**87**
Amortization intangible assets	5	10	5
Depreciation property, plant & equipment	95	186	83
Depreciation RoU property, plant & equipment	12	25	12
Write-downs/(reversals of write-downs) on inventories and receivables	-0	7	2
Impairment losses/ (reversals of depreciation and impairment losses) on fixed assets	-1	19	-1
EBITDA	**226**	**403**	**188**

in millions of EUR	H1 2019	FY 2019	H1 2020
EBITDA - Underlying			
EBIT - Underlying	**126**	**242**	**92**
Amortization intangible assets	5	10	5
Depreciation property, plant & equipment	95	186	83
Depreciation RoU property, plant & equipment	12	25	12
Write-downs/(reversals of write-downs) on inventories and receivables	0	4	2
Impairment losses/ (reversals of impairment losses) on fixed assets	0	1	0
EBITDA - Underlying	**239**	**468**	**194**
ROCE			
EBIT	115	155	87
Weighted average capital employed	1 349	2 540	1 187
ROCE	**8.5%**	**6.1%**	**7.3%**
EBIT interest coverage			
EBIT	115	155	87
(Interest income)	-1	-3	-1
Interest expense	35	69	29
(interest element of discounted provisions)	-2	-4	-1
Net interest expense	31	62	27
EBIT interest coverage	**3.6**	**2.5**	**3.2**
ROE (return on equity)			
Result for the period	62	48	34
Average equity	1 532	1 524	1 490
ROE	**8.1%**	**3.2%**	**4.5%**
Capital ratio (Financial autonomy)			
Equity	1 547	1 532	1 448
Total assets	4 470	4 305	4 348
Financial autonomy	**34.6%**	**35.6%**	**33.3%**
Gearing			
Net debt	1 253	977	955
Equity	1 547	1 532	1 448
Gearing (net debt on equity)	**81.0%**	**63.8%**	**65.9%**
Net debt on EBITDA			
Net debt	1 253	977	955
EBITDA	226	403	188
Net debt on EBITDA (annualized)	**2.8**	**2.4**	**2.5**

in millions of EUR	H1 2019	FY 2019	H1 2020
Net debt on EBITDA - Underlying			
Net debt	1 253	977	955
EBITDA-Underlying	239	468	194
Net debt on EBITDA-underlying (annualized)	**2.6**	**2.1**	**2.5**
Current Ratio			
Current Assets	2 375	2 257	2 409
Current Liabilities	1 631	1 406	1 908
Current Ratio	**1.5**	**1.6**	**1.3**