

Third quarter trading update 2019

Bekaert reports 2% consolidated sales growth in the first 9 months of 2019¹

Sales, trends and actions

Despite deteriorating market conditions, Bekaert achieved 2% consolidated sales growth in the first nine months of 2019, driven equally by price-mix and favorable currency movements.

The key trends in the three-month period July-September 2019 were:

- Decreasing raw material prices reflecting lower demand for steel products globally
- Deterioration of market conditions in China and India
- Seasonality impact in line with expectations

Bekaert's actions in the third quarter led to:

- Continued good growth in our construction and tire business
- Strong pricing and improved business mix at Bridon-Bekaert Ropes Group
- The execution of the restructuring program in Belgium
- Further cost savings and planning of additional footprint optimization actions
- A significant reduction in working capital and debt leverage
- The successful issue of a € 200 million retail bond with positive impact on debt maturity, gross debt and interest charges

Outlook

The business conditions have trended lower in various sectors as a result of tighter markets and continued uncertainty. Our tire markets held up well in the first nine months of 2019 but are expected to slow down in the fourth quarter as a result of the normal seasonality and destocking actions throughout the supply chain in anticipation of a continued weak business climate. The steel wire solutions activities are projected to further contract in the last quarter, mainly because of the impact of the social protest actions in Latin America, trade tariffs, and further economic slowdown globally. We do not foresee a downturn in construction markets other than the usual seasonality impact and we expect the business environment of Bridon-Bekaert Ropes Group to remain challenging.

In this scenario of economic slowdown and year-end seasonality, Bekaert continues to implement actions to offset the external headwinds. These actions are focused on managing cost, pricing, mix and footprint and aim to deliver an improvement of the underlying business performance.

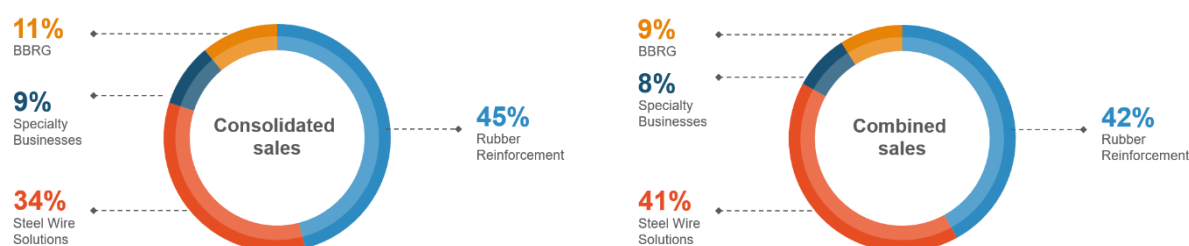
We are also further improving our working capital level and debt position and are well on track to bring our debt leverage below 2.5 by year-end. Despite our effective inventory reduction actions, we do project significant adverse non-cash adjustments to the year-end inventory valuation due to raw material prices decreasing more significantly than anticipated, driven by the overall economic downturn.

¹ Comparisons are made relative to the first nine months of 2018, unless otherwise indicated.
The figures in this press release are provisional and unaudited.

Consolidated and combined sales for the first nine months of 2019 – in millions of €

Consolidated sales	2018	2019	Share	Variance ²	Organic	FX
Rubber Reinforcement	1 420	1 494	45%	+5%	+3%	+2%
Steel Wire Solutions	1 135	1 108	34%	-2%	-4%	+2%
Specialty Businesses	316	311	9%	-2%	-3%	+1%
BBRG	341	365	11%	+7%	+6%	+1%
Other	15	15	1%	+3%	-	-
Total	3 227	3 293	100%	+2%	+1%	+1%

Combined sales ³	2018	2019	Share	Variance ²	Organic	FX
Rubber Reinforcement	1 540	1 625	42%	+6%	+4%	+2%
Steel Wire Solutions	1 601	1 608	41%	=	-	+1%
Specialty Businesses	316	311	8%	-2%	-3%	+1%
BBRG	342	365	9%	+7%	+6%	+1%
Other	8	3	-	-	-	-
Total	3 807	3 911	100%	+3%	+2%	+1%



2019 quarter-on-quarter progress – in millions of €

Consolidated sales	1 st Q	2 nd Q	3 rd Q	Q3:Q2	Q3 y-o-y ⁴
Rubber Reinforcement	502	512	480	-6%	+2%
Steel Wire Solutions	376	375	357	-5%	-4%
Specialty Businesses	97	105	109	+4%	+2%
BBRG	117	125	123	-1%	+7%
Other	2	7	6	-	-
Total	1 094	1 124	1 075	-4%	=

Combined sales ³	1 st Q	2 nd Q	3 rd Q	Q3:Q2	Q3 y-o-y ⁴
Rubber Reinforcement	544	555	525	-5%	+1%
Steel Wire Solutions	535	539	534	-1%	+1%
Specialty Businesses	97	105	109	+4%	+2%
BBRG	117	125	123	-1%	+7%
Other	1	1	2	-	-
Total	1 294	1 325	1 293	-2%	+2%

² Comparisons are made relative to the first nine months of 2018, unless otherwise indicated.

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

⁴ Q3 year-on-year sales: 3th quarter 2019 versus 3th quarter 2018.

Sales by segment

Rubber Reinforcement

Bekaert's Rubber Reinforcement business recorded 5.2% sales growth for the first nine months of 2019. This stemmed from volume-driven organic growth (+3.4%) and favorable currency movements (+1.8%).

The business unit achieved more than 11% volume growth in China thanks to strong demand in the first half of the year and increased market share throughout the first nine months. Continued weak demand from hose reinforcement markets in EMEA and North America offset the volume growth from tire cord markets in those regions. The severe deceleration of the Indian economy has affected third-quarter sales of our operations in the country.

Steel Wire Solutions

The business unit Steel Wire Solutions reported a sales decrease of -2.4% compared with the first nine months of 2018. Favorable currency movements (+1.6%) combined with the positive aggregate effect (+1.0%) of price-mix and passed-on wire rod price changes could not entirely offset the impact from lower volumes (-5.0%).

The economic uncertainty affecting the automotive, other industrial and agricultural market demand drove sales down in most regions. The worsening business conditions in the third quarter of the year have resulted in our decision to announce restructuring measures (see Investment Update and Other Information below).

Sales were stable at the combined level. Our steel wire joint venture in Brazil continued to report firm sales growth in the third quarter.

Specialty Businesses

The business unit Specialty Businesses reported a sales decrease of -1.6% in the first nine months, with significant differences between the individual activities and the quarters:

Building products achieved +5.5% revenue growth in the first nine months of 2019 thanks to firm demand and a positive product- and price-mix. The fiber technologies, affected by lower sales in diesel particulate filtration media (-3.4%), and the combustion activities (-9.4%) continued to report revenues below the level of last year. Sales of (diamond) sawing wire increased in the third quarter but still remained at a low level.

Bridon-Bekaert Ropes Group

Bridon-Bekaert Ropes Group (BBRG) achieved 7% top line growth, which stemmed from solid organic growth (+5.6%) and favorable currency movements (+1.4%). The organic sales growth was the result of an improved product- and price-mix in ropes and continued sales growth in advanced cords (a-cords).

The ropes business of BBRG booked solid sales growth in the oil & gas, mining, and crane & industrial applications. The a-cords activities saw increased demand in timing belt markets throughout the reporting period and an uplift in demand for hoisting applications at the end of the third quarter.

Investment update and other information

Footprint and M&A

Bekaert is implementing actions worldwide to raise the competitiveness of its activities and to rebuild the financial performance of the business. In addition to the dedicated focus on the core business performance through improved cost, pricing and mix management, the actions also include measures to optimize the footprint of our operations.

- We have started executing the restructuring program in Belgium after having reached, on 1 October 2019, an agreement with the unions on the related social plan. A provision of € -30 million has been booked for the costs related to the social plan in addition to the one-off elements already accounted for in the first half of the year (€ -7 million).
- Additional footprint actions:
 - The business unit Steel Wire Solutions has been significantly affected by continued low demand, fierce price competition, and the effects of trade tariffs. We have decided to close two manufacturing sites and to exit part of the related steel wire markets served. The Shelbyville production site in Kentucky (US) will cease all steel wire operations by January 2020 and the plant in Ipoh, Malaysia, will close in March 2020.
 - Bridon-Bekaert Ropes Group will close the in-house rigging facility in Dubai by the end of 2019 and has engaged an external partner to provide, from January 2020 onwards, all finishing and distribution services for ropes customers in UAE.
 - Bekaert is relocating the hose reinforcement wire operations of Rome, Georgia (US) and will integrate them within the Rogers, Arkansas (US) tire cord plant.

These additional restructuring measures and other actions are expected to add approximately € -50 million in one-off provisions for asset impairments and severance package costs, and are expected to deliver positive margin impact as from their implementation onwards.

On 31 October 2019, Bekaert concluded the buy-out of Maccaferri's 50% share in 'Bekaert-Maccaferri Underground Solutions' (BMUS). Bekaert considers the buy-out as an opportunity to grow faster in the underground applications of Dramix® steel fibers for concrete reinforcement.

Debt management and other

On 9 October 2019, Bekaert launched a new issuance of bonds with a maturity of 7 years for a total amount of up to € 200 million, all of which was raised in one day. The retail bond, with an annual coupon of 2.75%, enables Bekaert to optimize its debt maturity, lower the gross debt, and decrease the interest charges in coming years.

Net debt was € 1 181 million on 30 September 2019, down from € 1 253 million on 30 June 2019 and from € 1 303 million on 30 September 2018. Excluding the impact of first-time applying IFRS 16 ('Leases': € +84 million net debt impact), net debt dropped by € 206 million versus the same reporting period last year. The company's working capital efforts are significant and will continue to help improve the balance sheet. Investments in PP&E amounted to € 72 million in the first nine months of 2019, about half the level of the capital expenditure in the same period last year (€ 140 million).

Between 1 July 2019 and 30 September 2019, no own shares were purchased or disposed of. As a result, Bekaert held an aggregate 3 888 245 treasury shares on 30 September 2019, unchanged from 30 June 2019.

Financial Calendar

2019 full year results (** note: date change **)	04 March	2020
2019 annual report available on bekaert.com	27 March	2020
First quarter trading update 2020	13 May	2020
General Meeting of Shareholders	13 May	2020
2020 half year results	31 July	2020
Third quarter trading update 2020	13 November	2020

Disclaimer

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Company Profile

Bekaert ([bekaert.com](https://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 29 000 employees worldwide, headquarters in Belgium and € 5 billion in combined revenue.

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