

Third quarter trading update 2020

Bekaert reports progressive rebound

Sales, trends and actions

Despite a continued high level of uncertainty, the third quarter marked a turning point in most markets. Bekaert's third quarter consolidated sales were up +24% from the weak second quarter of 2020 and sales volumes were just -2% below the volumes of the same quarter last year. Consolidated sales for the first nine months of 2020 were well below the same period last year (-14% at constant exchange rates) due to the heavy impact of the COVID-19 pandemic in the first half of 2020.

The external developments in the three-month period July-September 2020 were:

- A significant demand rebound in tire markets
- The positive sales evolution in various markets in Latin America, China, India, and EMEA
- Strong adverse currency movements

Bekaert's actions in the third quarter focused on:

- Continued reinforcement of protective measures to limit the impact of the COVID-19 pandemic on the health and safety of our employees and their families
- Agile supply chain management across the value chain, ensuring supply continuity to customers
- Further improving the product and business mix, in line with our strategy to upgrade the business portfolio
- Continued tight control on working capital and capital expenditure to further deleverage debt
- Further mitigating and structural measures to improve the financial performance of the Group
- Post-balance sheet date: the successful issue of a 7-year € 200 million retail bond

Outlook

The structural improvement actions implemented since the end of 2019 and our agile response to Covid-19 have demonstrated their effectiveness in strengthening Bekaert's resilience.

While the Covid-19 pandemic continues to create a high level of uncertainty, the recovery of demand in most of our markets and the lasting benefits from structural improvement actions will enable us to make a step-up in performance in the second half of 2020.

Despite lower overall sales than last year, we expect the underlying EBIT for the full year 2020 to be close to 2019, resulting in an improved underlying EBIT margin.

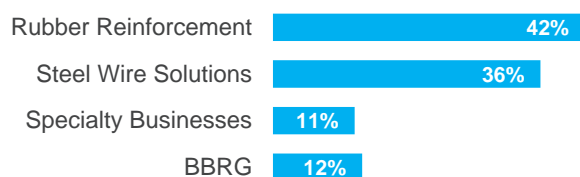
Driven by strong cash generation and disciplined working capital and debt management, we have brought down the net debt leverage below 2 at the end of the third quarter and will maintain this net debt on underlying EBITDA level as a target - ahead of plan - for the close of 2020.

Consolidated and combined sales for the first nine months of 2020 – in millions of €

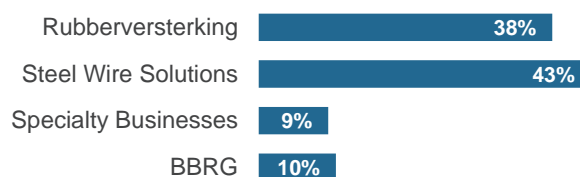
Consolidated sales	2019	2020	Share	Variance ¹	Organic	FX
Rubber Reinforcement	1 494	1 146	42%	-23%	-22%	-1%
Steel Wire Solutions	1 108	982	36%	-11%	-7%	-5%
Specialty Businesses	311	288	11%	-7%	-6%	-1%
BBRG	365	330	12%	-10%	-7%	-3%
Group	15	9	-	-	-	-
Total	3 293	2 755	100%	-16%	-14%	-3%

Combined sales ²	2019	2020	Share	Variance ¹	Organic	FX
Rubber Reinforcement	1 625	1 236	38%	-24%	-21%	-3%
Steel Wire Solutions	1 608	1 385	43%	-14%	-4%	-10%
Specialty Businesses	311	288	9%	-7%	-6%	-1%
BBRG	365	330	10%	-10%	-7%	-3%
Group	3	-	-	-	-	-
Total	3 911	3 239	100%	-17%	-11%	-6%

Consolidated sales



Combined sales



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

Consolidated sales	1 st Q	2 nd Q	3 rd Q	Q3:Q2	Q3 y-o-y ³
Rubber Reinforcement	417	292	437	+50%	-9%
Steel Wire Solutions	345	294	342	+16%	-4%
Specialty Businesses	98	87	103	+18%	-5%
BBRG	115	114	101	-11%	-18%
Group	2	6	1	-	-
Total	977	793	985	+24%	-8%

Combined sales ²	1 st Q	2 nd Q	3 rd Q	Q3:Q2	Q3 y-o-y ³
Rubber Reinforcement	451	308	476	+55%	-9%
Steel Wire Solutions	490	402	493	+23%	-8%
Specialty Businesses	98	87	103	+18%	-5%
BBRG	115	114	101	-11%	-18%
Total	1 154	911	1 174	+29%	-9%

¹ Comparisons are made relative to the first nine months of 2019, unless otherwise indicated.

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

³ Q3 year-on-year sales: 3th quarter 2020 versus 3th quarter 2019.

Sales by segment

Rubber Reinforcement: strong, progressive rebound in the third quarter

Bekaert's Rubber Reinforcement business, significantly affected by the impact of the Covid-19 pandemic in the first half of the year, reported a stronger than expected rebound in the third quarter (sales up +50% from the second quarter). The sales volumes of the third quarter were only slightly below those of the same quarter last year (-1.6%) with strong demand in Asia and a progressive rebound to fairly normal levels in EMEA.

Year-to-date, the business unit reported a sales decrease of -23.3% compared to the first nine months of 2019. This stemmed from lower volumes (-17.4%), unfavorable currency movements (-1.3%), and passed-on wire rod price changes and other price-mix effects (-4.6%).

The business unit projects sales to further increase in the last quarter of the year, driven by strong demand in tire markets.

Steel Wire Solutions: continued good demand in Europe and pick-up in Latin America

In the three-month period July-September 2020, the business unit Steel Wire Solutions reported +2.8% organic growth, driven by higher volumes compared to the same quarter last year (+1.2%) and a positive impact from passed-on wire rod price changes and other mix effects (+1.6%). Currency effects turned highly negative in the course of the third quarter (-6.9%) and more than offset the organic growth. Sales remained solid in EMEA and China and picked up significantly in Latin America.

The turning point in the third quarter could not offset the significant contraction of the first half. The business unit reported a year-to-date sales decrease of -11.4% compared to the first nine months of 2019, driven by unfavorable currency movements (-4.5%) and an organic volume decline (-6.9%).

Steel Wire Solutions' sales are expected to remain solid in the last quarter of 2020 despite the usual seasonality effects.

Specialty Businesses: no major changes in demand conditions

The business unit Specialty Businesses reported a sales decrease of -7.3% in the first nine months of 2020, particularly driven by the impact of the pandemic on demand in Building Products and Fiber Technologies.

Demand from construction markets improved toward the end of the third quarter but is projected to slow down by year-end, in line with the usual seasonality. Fiber technologies saw improved demand in automotive applications and continued good demand for filtration solutions in Asia, offset by weaker sales in mature markets and in aerospace and aviation in particular. Combustion Technologies picked up in the third quarter of 2020 and the Sawing Wire activities remained limited. We expect no major changes in business conditions in the last quarter of the year, except for the usual seasonality.

Bridon-Bekaert Ropes Group: sales trending lower

Bridon-Bekaert Ropes Group (BBRG) recorded a sales decline of -9.7% compared with the first nine months of 2019, driven by lower volumes (-11.3%) and adverse currency effects (-2.7%), partly compensated by the positive aggregate impact (+4.3%) of passed-on wire rod price changes and an improved business mix.

Part of the volume decrease was a result of BBRG's strategy to reduce its presence in lower margin applications. In addition, weak ropes demand in North America and softening markets for A-cords pulled volumes down in the third quarter.

We project fourth quarter revenue to broadly remain in line with the third quarter.

Strengthening our financial position and reducing net debt

On [7 October 2020](#), 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. The proceeds of the bond will be used to pay back part of the convertible bond (€ 380 million) that matures in June 2021. The difference will be paid from cash. In October, Bekaert paid back the EIB loan (€ 75 million) and a matured bond (€ 46 million) from cash. The very strong liquidity position of Bekaert allows to significantly improve the debt/cash balance of the Group.

Net debt was € 834 million on 30 September 2020, € -143 million down from year-end 2019 (€ 977 million) and € -347 million down from € 1 181 million on 30 September 2019. The company's working capital efforts, stringent capital expenditure discipline, and positive cash flow generation will continue to help improve the balance sheet. As a result, net debt on underlying EBITDA reduced below 2.0, versus 2.5 at the end of the third quarter of 2019 and 2.1 at the close of last year.

Investment update and other information

Bekaert's investments in PP&E amounted to € 54 million in the first nine months of 2020 (versus € 72 million in the same period last year).

On [28 September 2020](#), Bekaert announced the signing of an agreement with Almasa aimed at merging Proalco SAS (subsidiary of Bekaert) with the steel wire activities of Almasa SA, both located in Colombia. The partnership intends to create value by combining expertise and resources in offering existing and new steel wire products and solutions to the market. The transaction is subject to customary closing conditions including regulatory approvals and is expected to close before year-end 2020. It will add approximately € 20 million in annual revenue to Proalco SAS, which generated € 65 million in revenue in 2019.

On [4 September 2020](#), Bridon-Bekaert Ropes Group (BBRG) concluded a strategic partnership with Ideol, an internationally recognized leader and pioneer in floating offshore wind. The partnership aims at developing a new industry-transforming synthetic mooring solution to meet the fast accelerating floating offshore wind market's capacity expansion plans, cost reduction requirements, and lead-time expectations.

Between 1 July 2020 and 30 September 2020, no own shares were purchased or disposed of. As a result, Bekaert held an aggregate 3 846 325 treasury shares on 30 September 2020, unchanged from 30 June 2020.

Financial Calendar

Third quarter trading update 2020	20 November	2020
The CEO and the CFO of Bekaert will present the trading update to the investment community at 03:30 p.m. CET. This conference can be accessed live upon registration via the Bekaert website (bekaert.com/en/investors) in listen-only mode.	20 November	2020
2020 full year results	03 March	2021
2020 annual report available on bekaert.com	26 March	2021
First quarter trading update 2021	12 May	2021
General Meeting of Shareholders	12 May	2021
2021 half year results	30 July	2021
Third quarter trading update 2021	19 November	2021

Disclaimer

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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 in 2019.

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