

First quarter trading update 2020

Strong Q1 performance positions Bekaert well to confront the crisis

Safe working conditions – customer centricity – strong cash liquidity

Highlights

- Comprehensive measures to safeguard employees, with a limited number of Covid-19 infections
- Sales down -11% due to government-mandated lockdowns and global tire & automotive demand decline
- Effective cost reduction measures in place
- Liquidity more than €190 million up on year-end 2019 to over €750 million cash on hand
- Debt leverage stable from year-end 2019 at 2.1x underlying EBITDA
- Gross dividend proposal of €0.35 with payment postponed to 20 November 2020

Market developments, operations, sales

Market developments in the first quarter of 2020

Demand from **tire and automotive** markets was hit hard in China due to the outbreak of Covid-19. Domestic Chinese markets rebounded in March 2020, while export-oriented Chinese tire manufacturers increasingly suffer from low demand in global markets. Demand outside China was severely affected as a result of a 25% drop in car production and reduced road traffic due to lockdowns and homeworking, altogether leading to low demand for tires and large-scale temporary plant shutdowns in the tire industry, particularly in Europe and in the US.

Construction markets held up relatively well in the first quarter of 2020, with the exception of some delays in reopening construction sites in China, and the effects of government-mandated lockdowns in Latin America.

Demand from **agriculture, utility, and mining** markets was strong across the first quarter of 2020 as these sectors – generally considered as ‘essential industries’ – currently appear to be less affected by the Covid-19 pandemic.

Bekaert’s priorities and operations in the first quarter of 2020

- **Health and Safety of our employees:** we implemented actions early to allow smart working in all areas of the business and to enforce rigorous discipline in protective measures. Our proactive approach resulted in few infections recorded among our 28 000 team members.
- **Customer centricity:** we stay in close contact with our customers so we understand their current and future needs to support them in every possible way.
- **Managing liquidity and cost** to mitigate as far as possible the impact of the pandemic on our business.

Government-mandated lockdowns, customer shutdowns, and preventative actions implemented by Bekaert have led to a number of **temporary plant shutdowns**, initially in China and since the middle of March in the rest of the world, which have affected Bekaert’s sales in the first quarter of 2020.

Bekaert's sales in the first quarter of 2020

- Consolidated organic sales decline of -10%, driven by -9% volume decline, -4% passed-on wire rod price decreases, and a positive +3% price-mix impact.
- The -17% sales decrease in **Rubber Reinforcement** stemmed from a sharp volume decline (-13.5%) and the aggregate impact (-4%) of lower passed-on wire rod prices and price-mix.
- Sales decreased -8% in **Steel Wire Solutions**: the volume losses in Peru and Ecuador (average aggregate volume loss of -30%) were largely offset by strong demand from agricultural, utility and construction markets in EMEA, the US, and China.
- Relatively stable sales levels in **Specialty Businesses** (+1%) and **Bridon-Bekaert Ropes Group** (-2%).
- More information is included in the table below and in the segment reports on the next page.

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

| Consolidated sales | 2019 | 2020 | Share | Variance ¹ | Organic | FX |
|----------------------|--------------|------------|-------------|-----------------------|-------------|------------|
| Rubber Reinforcement | 502 | 417 | 43% | -17% | -18% | +1% |
| Steel Wire Solutions | 376 | 345 | 35% | -8% | -6% | -3% |
| Specialty Businesses | 97 | 98 | 10% | +1% | +1% | - |
| BBRG | 117 | 115 | 12% | -2% | -1% | -1% |
| Group | 2 | 2 | - | - | - | - |
| Total | 1 094 | 977 | 100% | -11% | -10% | -1% |

| Combined sales ² | 2019 | 2020 | Share | Variance ¹ | Organic | FX |
|-----------------------------|--------------|--------------|-------------|-----------------------|------------|------------|
| Rubber Reinforcement | 544 | 451 | 39% | -17% | -17% | - |
| Steel Wire Solutions | 535 | 490 | 42% | -8% | -3% | -6% |
| Specialty Businesses | 97 | 98 | 9% | +1% | +1% | - |
| BBRG | 117 | 115 | 10% | -2% | -1% | -1% |
| Group | 1 | - | - | - | - | - |
| Total | 1 294 | 1 154 | 100% | -11% | -8% | -3% |

Strong first quarter performance¹ despite significant volume decline

Despite the impacts of Covid-19 on the Group's first quarter operations and sales, Bekaert made a good start to the year.

The actions taken in 2019 have significantly strengthened our balance sheet structure and additional measures taken in the past months (including a drawdown of € 190 million on committed facilities) have resulted in an extension of liquidity (€ 750 million of immediate cash on hand) and to a high level of preparedness enabling us to go into the current crisis from a solid position.

This position is a consequence of Bekaert's significant delivery in reducing costs, implementing effective restructuring measures, and successful profit restoration programs - particularly in Steel Wire Solutions and Bridon-Bekaert Ropes Group - as well as effective actions to deleverage debt.

¹ Comparisons are made relative to the first quarter of 2019, unless otherwise indicated. The figures in this press release are provisional and unaudited.

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

Additional actions:

- Close interaction with customers and suppliers to retain alignment of our supply chain actions
- Acceleration of profit restoration programs
- Reduction of Board fees 2020 by 10%
- Temporary salary reduction of Executive and Senior leadership team by 10%
- Temporary reduction of working hours of teams around the world
- Continued tight control on working capital

Outlook

We project Q2 sales to markedly decline in different sectors that are relevant to us. While the magnitude of the impact of the Covid-19 pandemic on the global economy has become visible, its duration remains highly uncertain. We therefore have no visibility on a full-year impact in our markets and on our business.

Bekaert continues to apply strict control on costs, working capital and capital expenditure.

The actions implemented in 2019 and in the first quarter of 2020 have made us stronger and more resilient to cope with severe challenges. We are convinced that our strong liquidity position, combined with other measures we have implemented and continue to implement, puts us in the right position to weather the crisis.

Sales by segment

Rubber Reinforcement

Bekaert's Rubber Reinforcement business is most affected by the impact of the Covid-19 pandemic: sales dropped by -17% compared with the first quarter of 2019. Q1 sales volumes declined by -20% in China and the US and sales in EMEA and India decreased by more than -10% due to lower volumes and passed-on lower wire rod prices.

Government-mandated lockdowns and customer shutdowns across the world have forced temporary shutdowns in most rubber reinforcement plants in China (in February) and in EMEA and North America (since mid- March). The tire sector anticipates low demand in the second quarter and does not project a rebound to the level of 2019 in the second half of the year.

Steel Wire Solutions

The business unit Steel Wire Solutions reported a sales decline of -8% compared with the first quarter of 2019. The positive price-mix (+4.6%) was more than offset by the volume decline (-3.8%), the effect of passed-on lower raw materials prices (-6.2%) and unfavorable currency movements (-2.8%).

Demand was very strong in EMEA and China where volumes increased by +13% and +22% respectively, and in agricultural and utility markets in the US. This was more than offset by the weak volumes in India (-38%) and Latin America (-14%) due to the government-mandated lockdowns in place since the middle of March. Part of the sales decline in Steel Wire Solutions was a result of the company's decision to close the loss-making plants in Shelbyville (US) and Ipoh (Malaysia).

Government-mandated lockdowns, particularly in India and Latin America, and the crisis in automotive and oil markets will increasingly weigh on sales volumes in the second quarter of the year. Demand in agricultural and utility markets is expected to remain relatively stable.

Specialty Businesses

The business unit Specialty Businesses reported a limited sales increase of +1% in the first quarter. Sales were about stable in Building Products, slightly higher in Fiber Technologies and moderately lower in the Combustion business. The Sawing Wire activities recorded lower sales volumes due to a weak demand from the export-oriented solar business in China.

Demand from construction markets has remained relatively strong in the first quarter of the year and this revenue run rate is projected to continue in the second quarter. In Fiber Technologies, demand from filtration, shielding, and conductive fiber markets is projected to continue to offset the strong drop from automotive markets. Business conditions are expected to remain stable, at a low level, in Combustion and Sawing Wire activities.

Bridon-Bekaert Ropes Group

Bridon-Bekaert Ropes Group (BBRG) recorded a sales decline of -2% compared with the first quarter of 2019. The volume decline (-8.2%) was largely offset by an improved business- and price-mix, particularly in ropes. BBRG's main ropes markets (mining, oil & gas, crane & industrial) have been less affected by the impact of Covid-19 and are generally considered as 'essential industries'. The low demand from automotive markets affected part of the A-Cords (advanced cords) business, while demand from timing belt and elevator markets remained solid.

BBRG accelerated the implementation of its profit restoration plan to enhance the business mix with reduced presence in low-margin ropes markets and increased revenues in higher-end markets.

Demand from oil and gas markets in the Americas is projected to drop while other markets are likely to perform relatively well in the second quarter of the year.

Leadership change

As announced on [12 March 2020](#), Oswald Schmid has taken the helm as interim CEO on 12 May 2020 in succession of Matthew Taylor who decided to retire from his position for personal reasons. The Board of Directors is grateful to Matthew for his leadership and achievements as the CEO of Bekaert over the past 6 years. The Board wishes Matthew well for his future endeavors.

Other information

Net debt was €986 million on 31 March 2020, slightly up from €977 million at the close of 2019 and significantly down from €1 346 million on 31 March 2019. Net debt on underlying EBITDA was 2.1, unchanged from year-end 2019 and substantially down from 3.0 at the close of the first quarter last year.

The working capital increased by €+35 million versus year-end 2019 but was €321 million lower than at the end of the first quarter of 2019 as a result of a strong reduction in inventory levels, successful cash collection, and extended use of off-balance sheet factoring (€134 million, compared with €121 million at the end of 2019). The average working capital on sales (18.4%) remained at about the same level of FY2019 (18.2%), far below the level of the first quarter of 2019 (22.0%).

Cash and cash equivalents amounted to €758 million on 31 March 2020, more than double the amount of the same quarter last year and representing an increase of €192 million since year-end 2019, which was mainly the result of drawing down €190 million on committed facilities with the banks. The timing of the repayment of the EIB loans has been delayed to the fourth quarter of 2020.

Investments in property, plant and equipment amounted to €20 million in the first quarter of 2020, slightly below the amount in the same period last year (€22 million).

On 31 March 2020, the Company sold in total 10 766 own shares off-exchange to members of the Bekaert Group Executive in the framework of the Bekaert Personal Shareholding Requirement Plan at the price of € 15.29 per share (being the closing price of 31 March 2020). As a result, the total number of treasury shares owned by Bekaert decreased from 3 873 075 to 3 862 309.

Financial Calendar

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|---|-------------|------|
| General Meeting of Shareholders (behind closed doors) | 13 May | 2020 |
| Webcast: Bekaert will present the first quarter update 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. | 13 May | 2020 |
| Dividend ex-date | 14 May | 2020 |
| Dividend record date | 15 May | 2020 |
| 2020 half year results | 31 July | 2020 |
| Dividend payment date (date change) | 20 November | 2020 |
| Third quarter trading update 2020 | 20 November | 2020 |

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.

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