

# EMEA

## Economic Environment in 2018

After enjoying a period of strong economic growth, economic activity in Europe slowed in the second half of 2018. Lingering concerns about the impact of Brexit and the slow nature of the process, disruptions to car production due to changes in emission test norms, social unrest in various countries and global trade policy uncertainty were the main causes of this. For the whole of 2018, this resulted in GDP growth of 1.8% in the Euro Area, significantly lower than last year's 2.4%. Growth in Central and Eastern Europe remained strong, but nonetheless decreased compared to 2017.

Following four years of sales growth, the car industry faced a downturn in 2018, mainly due to the introduction of a new testing procedure, WLTP, and postponed or cancelled investments amid Brexit uncertainty. In contrast, the construction markets posted healthy growth throughout the year, both in the residential and non-residential markets in Western Europe and due to civil infrastructure projects in Central Europe.

Bekaert has a presence in both the Western European and Central & Eastern European markets. In Europe, we offer a quality portfolio of steel wire products for sectors that are in search of innovative, high-end products and solutions.

## Our Activity performance

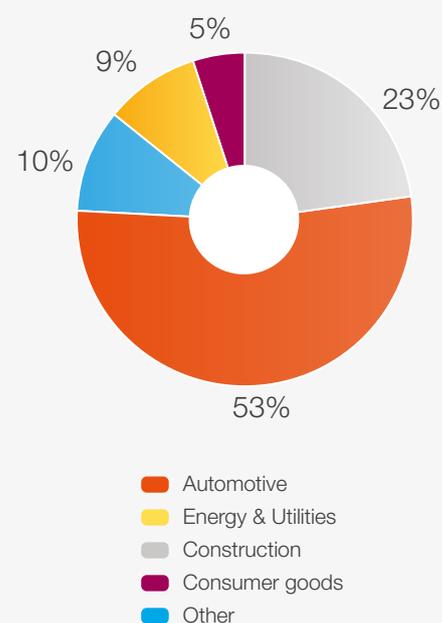
Bekaert's activities in EMEA achieved almost 5% sales growth in 2018, driven by the aggregate effect of passed-on wire rod price increases and price mix (+6.8%), a small organic volume decline (-0.9%) and the divestment effect of the Solaronics business (-0.9%). Demand from the automotive and construction markets was strong throughout the year, while demand for industrial, specialty, and stainless products softened in the second half of the year.

Underlying EBIT was € 114 million at a margin of 8.5%. The margin performance was lower due to higher than anticipated start-up costs in plants with major expansion programs in Central Europe, and increased price pressure in several markets, particularly those where we compete with integrated players.

Reported EBIT dropped to 5.5% as a result of the one-off impact of the closure of the Figline plant in Italy (€ -40 million), thereby reflecting the operational losses incurred since the announcement of the closure, the impairment losses of the site's assets and the expenses accrued for the closure.

Capital expenditure (PP&E) amounted to € 67 million and included, amongst other things, capacity expansions in Romania, Slovakia and Russia.

EMEA 2018  
Combined sales by industry



Combined sales	€ 1 322 million
Capital expenditures (PP&E)	€ 67 million
Total assets	€ 973 million
Employees	7 895



### Getting prepared for Brexit

One of the first and tangible effects of an eventual Brexit will be the logistical and administrative impact at the borders.

In 2018, we investigated the potential impact of a *No Deal* Brexit on our business and customer service relations. The scope of inbound and outbound transport flows between the EU and UK is relatively limited for us (less than 4% of consolidated sales). Nevertheless, we have worked closely together with customers and suppliers to determine and take various proactive measures for contingencies, including consignment stocks, the timely application for customs licenses and the certificate of Authorized Economic Operator, and the consideration of alternative transport routes in case of long delays at the currently most used border crossing points.

### Drying business becomes part of Argynnis Group AB

Bekaert reached an agreement with Argynnis Group AB of Sweden regarding the sale of all shares in Solaronics SA. The transaction covers the production facility in Armentières (France) and an international sales & services network. An in-depth analysis showed that the further growth potential of the drying business of Bekaert Combustion Technologies would be best secured by entrusting its future potential to an organization that combines the competences of two complementary industry players.

### People management in Slovakia

Slovakia has witnessed significant economic growth over recent years, driven by intensive investments by automotive companies in the west and central region of the country. As a result, the unemployment rate in the Trnava/Nitra region (where both Bekaert plants are located) has dropped below 2%.

Bekaert, too, invested in capacity expansions and in recruiting and training new colleagues. The HR team focused intensively on finding the right people in an extremely tight labor market, while not losing sight of retaining and further engaging our current workforce. Thanks to these efforts, Bekaert performed better than many other companies in the region who struggled with people turnover rates of more than 25%.

It has been very difficult, though, to fully benefit from our hiring and training efforts, as the people turnover rates are still particularly high during the first year of employment. In the summer of 2018, the HR team decided to take a new approach to find more stable solutions.

Alongside local recruitment, Bekaert now works with specialized agencies to hire from abroad. Over the last months, we have hired and trained more than 100 Serbian and more than 20 Ukrainian employees to complement our Slovak workforce and we are actively taking care of creating a cultural blend that benefits the spirit in the plants. So far, the integration efforts have been successful and the people retention rate has become more stable than before.

Our recruitment and engagement actions continue as they are critical in leveraging the benefits of our investments and training activities so we can achieve our goals and continued growth ambitions.

