

LATIN AMERICA

Economic Environment in 2018

Latin America's bumpy economic recovery has continued to deliver limited growth in 2018, overall. Weaker global trade, an intensive election cycle across the continent, tighter global financial conditions, the continued impact of widespread corruption cases on infrastructure spending, and volatile commodity prices caused the recovery to flounder. Argentina's economy deteriorated significantly in August amid a renewed currency crisis and deepening recession. In Brazil, the economic sentiment continued its upward trend, but the recovery is still fragile.

In Latin America, Bekaert manufactures an extensive product portfolio to serve construction, mining, agriculture and a wide range of industrial and consumer markets across the region. Bekaert has wholly owned and majority owned subsidiaries in Ecuador, Colombia, Costa Rica, Venezuela, Peru, and Chile, and runs joint ventures in Brazil in a 45/55 partnership with ArcelorMittal.

Bekaert's activities in Latin America go back to 1950. Today, they represent almost 30% of combined sales.

Our Activity performance

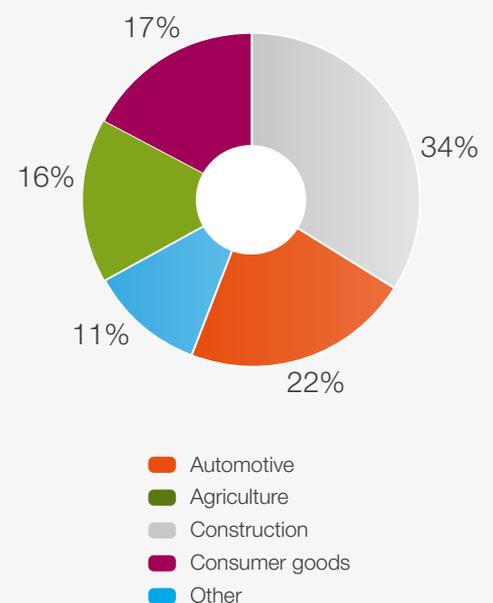
In Latin America, consolidated sales were up +2.7% from last year.

Passed-on higher wire rod prices and other price-mix enhancements contributed +14.3% to the organic revenue growth. An overall weak economic environment in the region drove demand for our products down, resulting in an organic volume loss of -1.8% for the year. Consolidated sales were adversely impacted by the disposal effect (-6.1%) of the Sumaré integration within the JV partnership with ArcelorMittal since 1 July 2017, and by adverse currency movements (-3.7%).

Excluding currency effects, royalties from Brazilian joint ventures, and one-time elements, the underlying EBIT of our operations in Latin America slightly improved compared with last year. Including all elements, underlying EBIT decreased. This is mainly due to the lower positive net effect of one-time items in 2018 compared with 2017. Last year's records included the effect of the cancellation of the obligations under an onerous supply contract (€ +10 million) and the disposal effect of Sumaré (€ +12 million). The one-time element in 2018 regarded a change in a long-term benefit plan in Ecuador (€ +3.7 million). Royalties from the Brazilian joint ventures were higher in 2018, compared with last year (€ +5.4 million), while currency effects on underlying EBIT were € -1.9 million negative, year-on-year.

Including all elements, underlying EBIT decreased to € 43 million, reflecting a margin of 6.2%. Reported EBIT was significantly lower than last year: in 2017 the gain on the sale of 55.5% of the shares in the Sumaré plant in Brazil was included whereas in 2018 we incurred one-off expenses related to the closure of the Dramix® plant in Costa Rica.

Latin America 2018
Combined sales by industry



Combined sales	€ 1 474 million
Consolidated sales	€ 692 million
Capital expenditures	(*) € 18 million
Total assets	(*) € 477 million
Employees	6 595

(*) Consolidated entries



Bekaert invested almost € 18 million in property, plant and equipment across the region, particularly in Chile.

Bekaert's combined sales increase in Latin America (+5.7%) was from strong organic growth (+15.7%), largely offset by the translation impact of currency movements (-9.9%) which was mainly driven by the depreciation of the Brazilian Real compared with last year (-19.4% compared with the average rate of 2017).

Poised to seize opportunities in Peru

The largest corruption investigation in Latin America's history — revolving partly around bribes paid by the Brazilian construction giant Odebrecht to secure government contracts — has, over the past few years, spread across the region. After Brazil, no other country has felt the stinging impact of the scandal more than Peru. All major construction projects in the country have been put on hold for years because several decision makers in the highest ranks of the country's political class have been implicated.

Prodac, Bekaert's steel wire plant in Peru, has been working hard to offset the negative impact of decreased volumes in construction markets. It is doing so, not only by rightsizing its operations to the new reality, but also by developing and implementing concrete lines of actions to grow positions in existing and target markets. With the help of BCE (Bekaert Customer Excellence) knowledge and tools, Prodac's satellites Prodimin (mining markets) and Prodicom (wholesale activity) have each set out a distinct market approach to grow their business potential. A number of public infrastructure projects have been reactivated recently in the country, and Prodac is seizing the opportunities that those create. These include, among others, the construction works related to the preparations for the Pan American Games in Lima in 2019, the construction of the new international airport in Lima, and the Pisco port expansion.

Metro project in Ecuador

In July 2019, the first metro line in Quito will be put into operation. Construction of the metro line began in January 2016 and was long delayed due to archaeological remains found in the neighborhood of the historic center, a UNESCO World Heritage Site. The line extends over a distance of 22 kilometers and will connect Quitumbe (south Quito) with El Labrador (north Quito).

Ideal Alambrec, Bekaert's entity in Ecuador, supplied Dramix® steel fibers for concrete reinforcement in cooperation with Bekaert-Maccferri Underground Solutions, and provided technical sales support to the contractors.

