

NORTH AMERICA

Economic Environment in 2018

The US economy grew about +3% in 2018, reflecting the positive impact of tax reforms and continued strong demand. The unemployment rate fell to its lowest level since 1969. New protectionist policies that have raised tariffs and disrupted the established manufacturing supply chains started to progressively impact consumer prices and investment decisions during the course of the year.

While the US car market showed little more than flat growth in 2018, domestic tire production rebounded firmly. The replacement market for car tires, for instance, increased by more than 3%. The massive damage to the power infrastructure due to the many wildfires, hurricanes, and floods in the US in 2018, led to more activity and demand in energy related markets. Demand from the agricultural markets, on the other hand, has been weak for the second consecutive year.

Our Activity performance

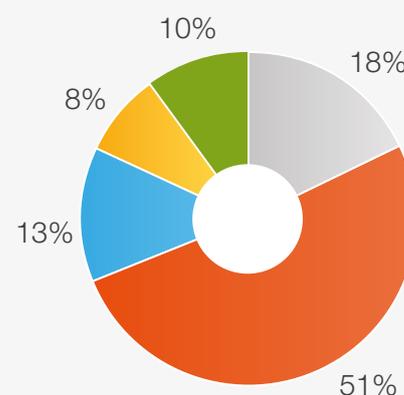
In 2018, Bekaert's activities in North America achieved +12% sales growth. The organic sales growth accounted for +16.4% and stemmed from improved volumes (+5.7%) and passed-on higher wire rod prices and other price-mix effects (+10.6%). The adverse currency impact for the year tempered to -4.4% due to the appreciation of the US\$ in the last quarter of 2018.

Automotive demand remained strong throughout the year. The industrial steel wire and agricultural fencing markets were affected by increased price pressure and by the usual seasonal effects in the second half of the year.

Bekaert's rubber reinforcement activities in the US recorded solid growth. The margins were, however, affected by supply chain issues caused by the continuous changes in trade policy, including quota restrictions and tariffs. The rubber reinforcement activities in the US use imported wire rod because the qualities needed to produce the related products are not available in the country. After reaching the volume quota limit on imports from Brazil at the end of July, the cost of imported wire rod increased by 50% as from August onwards. This cost increase reflected the aggregate impact of import duties and anti-dumping tariffs as well as wire rod price evolutions and additional logistics costs related to the imports from other continents. Efforts were made to pass on the steep wire rod price increases to our customers and to create a more balanced offering of domestically produced and imported tire cord from our manufacturing plants abroad.

In other steel wire markets, the average price of domestic wire rod increased about 30% compared with last year. Passing on the full price impact to our customers was not possible as we compete with import flows and integrated players (downstream integrated steel mills) there. The margins were, moreover, affected by continued weak demand in agricultural markets.

North America 2018
Combined sales by industry



- Automotive
- Agriculture
- Construction
- Energy & Utilities
- Other

Combined sales	€ 618 million
Capital expenditures (PP&E)	€ 18 million
Total assets	€ 367 million
Employees	1 411



Both the underlying and reported EBIT amounted to € 25 million at a margin of 4%. Capital expenditure (PP&E) was € 18 million in North America.

Bekaert Shelbyville adds glued Dramix® fibers to the mix

In response to US policy encouraging federal agencies to buy American-made products, Bekaert has started producing glued Dramix® steel fibers for concrete reinforcement in Shelbyville (Kentucky, US).

Customer quality improvement program kicks off in the US

The ABC Quality module of the Bekaert Manufacturing System (BMS) program focuses on quality efforts and the role everybody can play in ensuring and providing the highest level of quality and service to our customers. ABC (Always Committed, Best Quality, Customer Delight) wants to achieve a breakthrough in quality performance, durable problem solving and elimination, and a true customer-centric mindset throughout our operations worldwide.

The kick-off of ABC in the US took place in the Van Buren plant in Arkansas and was soon followed by an intensive session with the enthusiastic team of the Orrville plant in Ohio. ABC requires the engagement and commitment of all plant team members and is being deployed worldwide with the help of experienced change agents, effective tools, and highly interactive training sessions.

