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PSA Group plans to grow again in Brazil in 2018

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The group’s operating income was € 3.9 billion in 2017, an increase of 23.4% related to the previous year. The automotive division’s operating profit increased 33.3% compared to 2016, at € 2.9 billion, and profitability reached a record level of 7.3% - “even with the rise in the cost of raw materials and of the negative impact of exchange rates”, according to the PSA Group.

The group’s current operating margin was 7.1%, compared with 6% on the same comparison basis. Sales were 3.2 million vehicles and, considering Opel and Vauxhall, the volume reached 3.6 million, a 15.4% increase in sales.

Latin America - In Latin America, considering Brazil, Argentina, Chile and Mexico, the PSA Group’s market share was 3.8%, an increase of 0.6% compared to the previous year, with 206 thousand units sold compared to 184 thousand in 2016. The group pointed out that of the six regions in which market participation operates increased by five, only decreasing in China. According to Gustavo Soloaga, Latin American financial vice president, “the two results registered in Latin America and the growth in the other regions where we operate shows the strength of the group”.

The rise in Latin America was boosted by the recovery in the Brazilian and Argentine markets, “which returned to register good numbers last year,” and for the good performance in Chile, but Soloaga highlighted the strategy of the group: “We made a product offensive with the launch of Jumpy, Expert and 3008, we reduced our fixed and production costs, restructured the dealer

network, valued our brands and focused on total customer satisfaction”.

The best PSA Group result in the region came from Chile, with a 6.9% share, followed by Mexico, with a high of 0.6%. In Brazil, its share was 2.3% and in Argentina it was 12.2%, but in both countries 2017 was another year of negative results: “We had losses in Brazil last year, but it was much lower than in recent years and I believe it is the last negative result, since the expectation is that in 2018 the group register positive numbers again. “

Soloaga also said that the factories in the region are very important to the group, with the El Palomar plant in the Province of Buenos Aires going through an industrial modernization process, with an investment of US \$ 320 million announced last year. It will be the first in the region to receive the new CMP modular platform, which will allow it to operate in almost all segments and reduce costs with the production of the first model planned for next year.

The plant in Porto Real, which will reach the mark of 2 million engines produced this year, will be the next to be modernized: “Porto Real plays an important role for exports in the region, as it produced approximately 100 thousand vehicles last year and more than half were shipped”.

2018 Projections - The PSA Group expects a stable market in Europe, rise of 4% in Latin America, 10% in Russia and 2% in China. The growth in Latin America will be “led” by Brazil, where the group expects a 10% expansion, being responsible for half of the projection for the region: “The resumption in Brazil will be slower, but more consistent”.

For the Argentine market, the expectation is for stability, with growth in Chile - but with less impact on the growth of the region -, and decline in the Mexican market.

In Brazil the projection for the company is to follow the growth of the market and, for this, will be launched the new C4 Lounge, medium sedan, the SUV 5008, the utility Berlingo. The PSA Group promises other news, such as new connectivity technologies.

In the world the targets are an average current operating margin of more than 4.5% for the automotive division, based on 2016, with a target to reach operating margin above 6% by 2021. The projection for the income is up 10% , based on 2015, and growing another 15% by 2021. **WE**

Government postpones Rota once again. What do the presidents say?

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Marcos Corrêa

As the automotive industry executive in AutoData Magazine's 341 edition said "when the central government is weak, without a governance program, we depend on political decisions that are not necessarily positive for the country." Once again, the Federal Government has proved that the observation of this privileged interlocutor on the negotiations of Rota 2030 is correct.

On Wednesday, 28, the Government stopped protocoling Rota 2030, as said that the MDIC minister, Marcos Jorge de Lima. He confirmed last week that the document was on the president's desk to be signed in February.

This is not the first time that the Federal Government has failed to deliver on its promises. Expected for the beginning of the fourth quarter of 2017, then for December, Rota 2030 is not a priority for the current Federal administration, not even after the presidents show the automakers' need for predictability of the rules to guarantee future investments in the sector.

Pablo Di Si, president of Volkswagen of Brazil, considered it strategic for the country to approve Rota 2030 not for the supposed gains, but to show the headquarters that there is a safe environment to elaborate new projects here: "I'm not saying that I will win R\$ 1 more or less with that: it is a matter of being fundamental, not because of the value value, but for the message that we pass to our head offices."

Steffan Ketter, FCA's head of Latin American operations, says Rota 2030 is a revolution in automotive policy that other countries have not done: "The job that has been done is to take the hat off." However, the scenario that presents itself today may bring an environment of uncertainties in the same automotive scenario, which would reflect the investments in the entire chain. "It would be unfortunate. It would kill the little plant that has everything to grow. But I'm still optimistic about Rota 2030."

Carlos Zarlenga, president of General Motors Mercosul, said that Inova-Auto brought technology, growth and investments to the automotive sector and the continuity with Rota 2030 will clearly present the future to the companies' strategy. "This is a sector that works long-term and needs clear rules. When you do not show clarity and change your mind halfway, it is a problem. It takes our global credibility."

The complete interview with Carlos Zarlega is in the next edition of AutoData Magazine.

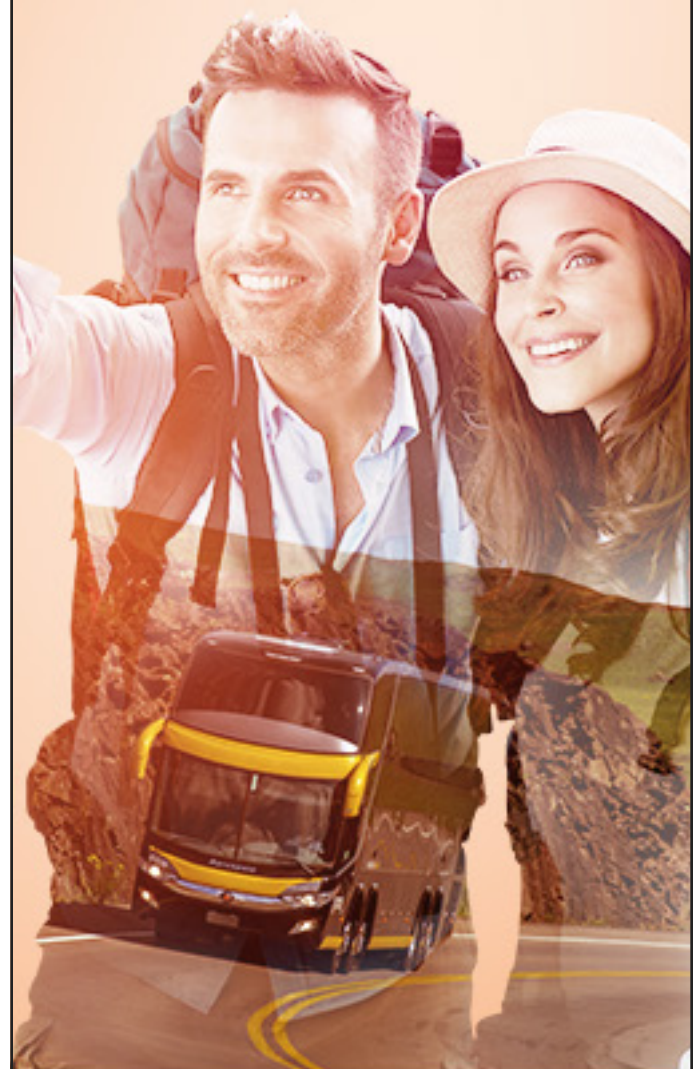
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Brazilian steel under pressure in the United States

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Yellow Alert: The United States must adopt a protection mechanism in relation to its imports of Brazilian steel, which motivated a meeting of the Minister of Industry, Foreign Trade and Services on Tuesday, 27, with the country's Commerce Secretary. The main mills that benefit steel here face strong competition from the imported material, a situation that has caused the decrease of its domestic sales and the redirection of the production to the other countries. The scenario made the producing companies of the input to seek protection by increasing the price internally, which left the consumer market, especially the automotive sector, concerned about what will certainly reflect in increasing its cost of production.

It turns out that the same protection mechanism must be adopted in the United States, one of the main destinations for Brazilian steel exports, and the scenario again puts pressure on Brazilian mills and on the entire production chain.

The main topic for the meeting was the possibility, studied by the government, to tax US steel imports. The minister considered the complementarity of bilateral trade important and said that Brazilian steel does not threaten the United States. Brazil was the second largest supplier of steel products to the United States in 2016, behind Canada alone, and imports coal and other inputs from there. Brazil supplies about 50% of iron and steel semi-finished products used as inputs by the country's manufacturing industry.

The measure, if confirmed, will affect Brazilian producers that already deal with the fall in domestic demand and seek foreign business opportunities. Many of them try to reverse losses accumulated in recent years due to the situation of the sector in the domestic market, but the road can become more challenging if domestic steel faces obstacles abroad.

Gerda, one of the main steelmakers, suffered a mismatch of production with the



commercialization during the fourth trimester of last year because of the fall in volumes sold in Brazil and South America, according to the balance sheet released on Wednesday, December 28. October and December, 3 million 950 thousand tons of crude steel were manufactured throughout the group, 18.7% higher than the same period in 2016. Sales fell 0.7% in the same comparison, to 3 thousand 770 tons.

Last quarter of the year the local operation sold 4.8% less, or 1 million and 460 thousand tons, due to the reduction of exports by 15.8%. Domestic sales increased 3.5% to 908 thousand tons. In the South America unit, Gerdau sold 383 thousand tons of steel, decreasing 28.4% year-on-year. In 2017 production rose 2.8% to 16 million 120 thousand tons, and sales fell 4%, to 14 million 940 thousand tons.

In North America the company increased sales by 9.7% to 1 million 570 thousand tons. Even so, the increase was much less intense than that, about production increased by 29% to 1 million 640 thousand tons.

Usiminas is another steel supplier that intends to reverse losses. It reported in the fourth quarter of last year a net loss of R\$ 45 million, 76% lower than in the same period of 2016. However, compared to the third quarter, Usiminas changed from a R\$ 76 million and returned to the red. In the same year, the steel mill reverted a loss of R\$ 577 million in 2016 to a net profit of R\$ 315 million in 2017.

The crude steel production at the Ipatinga plant in the fourth quarter of last year reached 747 thousand tons, slightly lower than that recorded in the same quarter of 2016. Meanwhile, the production of rolled steel, used in vehicle construction, totaled 1.1 million tons in the fourth quarter, the highest of the last eight quarters, and 4 million tons in the total of the year, growth of 11.8% compared to 2016, of 3.6 million tons.

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Tire labeling will increase sector competitiveness

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Tire manufacturing companies are already trying to adapt to the new labeling rules starting in April, when the products will arrive in stores with labels that will classify them with grades A to G, according to the requirements of Inmetro, National Institute of Metrology, Quality and Technology. The grades are based on several tests carried out by the institute, such as braking, driving on dry and wet track, rolling resistance, noise and dynamometer. The adaptations to fit the new requirements began in 2015.

For Thiago Assad, Cobia engineer, startup specialist in fleet control, telemetry and routing, the labeling will increase the sector's competitiveness, which will seek better grades, and this may reflect a better sales volume. He also considers that the biggest beneficiaries will be the consumers, because they will see the grade of each tire that they intend to buy and decide which is the best cost-benefit.

"The fleet will also have significant gains, because by the label they will know about

the durability and behavior of a particular tire under rain, for example."

The labeling follows parameters already used in Europe, through evaluation of items such as comfort, which evaluates tire noise level, energy efficiency, based on rolling resistance, and consumption and safety indexes, assessing wet surface adhesion and environmental impacts - all with the seal of Conpet, which shows that the tire meets the standards of the National Program for Rationalization of the Use of Petroleum and Natural Gas Derivatives.

Anip - Anip, which represents tire manufacturers, reported that until September last year, the last data available, produced 19.4 million tires in the country, up 8.6% compared to the same period of the year previous.

The replacement segment posted a 5.8% increase from January to September last year, compared to 2016, the supply to automakers grew 16.3% and exports increased 9.9%, on the same basis of comparison.

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Scania pursues 30% growth

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About 30% is the size of the growth that truck manufacturers chose as their target for 2018, a level above Anfavea's expectations for the year, which is 24.7%. Last week Volvo was the first to express optimism about sales for the year. On Monday, 26, it was Scania's turn to follow the same path, and recent sales numbers show the possibility of achieving the desired result.

The company is encouraged by the businesses closed since Fenatran in October. According to Roberto Barral, general director of Scania Brazil, 1 thousand 150 vehicles were sold in the period comprising the beginning of the fair and December: "Part of the volume is the result of closed deals in Fenatran, another part came from the conversations that began during the event".

He revealed that transporters have evaluated the possibility of increased demand in the grain and industrial cargo sectors and saw a favorable outlook for renewing their fleets in advance: “There was a suppressed demand in the past caused by the poor behavior of various sectors of the economy. With the possibility of more business in 2018 also came the need to invest. ”

Of the total sold from Fenatran, around 1 thousand vehicles were purchased by six companies that operate in the segments indicated as the most promising in terms of business for the year, agricultural and industrial cargoes: G10, 1500, Jolivan, Kothe, Tombini , Trans Maroni and Cavalinho. The trucks began to be delivered in January and the process is expected to last until December: they leave the factory with the new 450 hp and 510 hp engines, launched last year.

Faced with the volume of license plates already made this year, planning to grow 30% becomes a reasonable idea, since this amount represents about one third of the volume of heavy trucks that the company sold in the accumulated last year: 3 thousand 542 units.

The mining sector is also seen as another that can leverage the company's sales in the country, although it provides smaller volume businesses. According to Ricardo Vitorasso, the company's director of truck sales, the Heavy Tipper model, launched in 2017, has been sought by large mining companies that need to renew fleet: “The mining sector is looking for vehicles that offer lower operating costs, and companies get in touch searching for information on the models of the line”.

Prices - Scania has had a certain increase in price of its vehicles this year due to the price of steel and other inputs that put pressure on 'operations: “The price of finished products puts pressure on the price of our trucks. Steel laminates are other examples of inputs that will probably raise production costs.

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