



Belgian Steel Federation

Belgian Steel in 2011

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Sustainable goods



2011 was for the Belgian steel sector and for most steel producers in the EU a starkly contrasting year : after a promising first half, the following months were difficult in a European economic context which was particularly gloomy.

The sovereign debt crisis that European authorities and member states are trying to resolve, with the support of the IMF, is depriving each level of government of the necessary means to stimulate the economy and boost confidence.

In 2011, the demand for steel products in EU27, final destination of almost 90% of the Belgian steel production amounts to around 155 million tons, or 35 million tons more than the lowest point in 2009, but still far from the 200 million tons in 2007.

The paradox is that in emerging economies such as China, India, Turkey and Brazil, consumption and new production capacity keep increasing. This evolution, however, generates pressure on raw material supply (iron ore, coke, scrap, alloying elements) – in terms of both volume and price – coupled with an increased competition which weakens our market position in terms of final products, including the highest quality products. In 2011, increasing imports from third countries resulted in a negative trade balance with EU27.

Factors such as recurring over-capacity, unfair trade practices from some third countries, unilateral coercive measures especially in environmental matters, shortcomings in the functioning of the European energy market and ever-increasing charges on Belgian and European production sites, represent a threat – if no decisive action is taken – to their profitability and therefore to their viability.

With an upstream position in the steel processing chain, the future of the steel industry in our regions and the definition of its strategic objectives are closely linked to the activity of steel-using sectors : car, building and civil engineering, metal and electrical engineering, household appliance and medical applications.

It is more crucial than ever for our companies :

- to adapt to fundamental and irreversible changes taking place in the sector configuration ;
- to anticipate customers' needs by offering them innovative and high performance new products – steel solutions respecting, in their applications as well as in their life cycle, concerns for sustainability.

To maintain and, of course, to develop an economic activity, it is necessary to comply with profitability and competitiveness requirements. That is particularly so in the steel industry because :

- the sector is highly capital-intensive : any investment requires substantial sums of money ;
- it faces strong international competition. In 2011, the 10 first steel groups represent just 30% of the world production : a rate significantly lower than in other branches of industry ;
- it remains vulnerable to the ups and downs of the economic conditions and is subject to volatile raw material costs and higher energy prices.

In order to maintain the EU market balance, the Belgian steel producers which have to face a significant (and probably lasting) fall in orders and which are exposed to an aggressive competition from

some emerging countries, have started in 2011 to slow their production and to mothball some plants. During the same period, intentions to shut down some production facilities have been announced.

At the same time, steel groups have been actively working on their vertical integration both upstream and downstream in order to increase their competitiveness, to ensure a regular supply and also to strengthen their commercial positions.

For the same reasons, they have set up a selective investment strategy in order to develop at finishing stage higher quality products, which are designed for highly specialized applications. The inauguration in 2011 of two new production lines for such products in Belgium reinforces this strategy. In order to better meet the customers' requirements, two specific entities have been created, with one specializing in flat stainless steel and another in high-quality wire rod. With an extensive decision-making autonomy, they will be in a position to ensure their further development over the medium and long term.

The context in which the steel sector is evolving is clearly more and more complex, interdependent, competitive and changing.

Even if restructuring plans and reorganizations often give rise to social concerns, they are, however, needed in order to strengthen the competitive position of the companies : crucial factor to improve employment prospects.

In such difficult operations, social dialogue is particularly important to help mitigate the negative impacts.

In environmental as well as in social matters, it is essential for all relevant stakeholders to reach an agreement in order to maintain a constructive balance between short and longer-term priorities because there are a lot of issues and challenges to face.

Decisions regarding climate change in 2012 will have to follow those principles. The Belgian steel industry calls for a gradual transition towards a low-carbon society and wants to take an active part in the realization of this project.

In this respect, the sector asks the European authorities and the member states to mobilize – for the industrial redevelopment of EU – at least as much energy as they spend to rebuild the European finance structures. Actually, it is possible by increasing significantly the aid for research.

The future of the Belgian steel industry depends on its ability to adapt to an evolving world, on its capacity to innovate and certainly on the dialogue.

Its strengths, including:

- a high degree of innovation, in terms of process and design/product development, helps to reduce its environmental footprint and that of the steel using sector and the steel processing industry ;
- the workers' know-how ;
- centres of excellence in research ;

give us a great deal of confidence about its ability to meet major challenges in the future.

Geert Van Poelvoorde
Chairman



social affairs



Health & safety : Integral part of well-being at work

Health and safety at work are key concerns for the steel sector. Prevention at every stage of business activities is the highest management priority.

The security policy is based on a careful analysis and on an appropriate risk management for each workstation.

The measures which have been implemented, focus on five key principles :

1. risk identification and assessment with regard to exposure frequency ;
2. adaptation of working conditions and equipment in function of the workers ;
3. organization of training modules for skills acquisitions and better knowledge of behaviour to be taken in case of specific risks ;
4. review of causes and circumstances of all incidents and accidents occurred ;
5. update of best practices.

The success of this strategy requires the involvement of each stakeholder at every stage in the production process and tool maintenance. In order to maintain the worker's attention and to help him remain fully alert, the process is regularly restarted and sustained by recurring awareness campaigns.

The sector has developed a specific reference framework for best practices in terms of both health and security in case of subcontracting. The sector agreement 2011-2012 contributes significantly to achieve this goal. So, the steel companies have taken specific measures to meet these commitments, which are based on concrete safety standards in case of subcontracting.



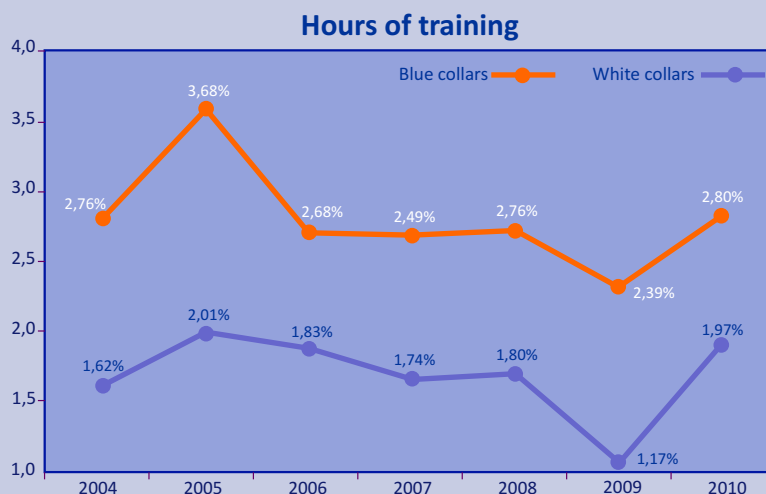
Restructuring process : purposes and consequences

Restructuring is a necessary process in the life of companies. They constantly have to adapt to the fast changing economic, technological and regulatory environment. Restructuring processes are not to be confused with common changes or adjustments; they are indeed special modalities which require from the company involved a decisive repositioning.

In restructuring strategies, it is more important to anticipate than to respond to changes. The economic crises such as the one we are living through, are also a powerful driving force in terms of restructuring.

In such operations, the social dialogue has a key role to play in order to facilitate the transition and the career mobility, which imply the retraining of the workers concerned so that they can maintain their employability.

As shown in the chart below, the steel companies have further increased training and development efforts during periods of economic unemployment.





production - consumption



World crude production exceeds 1.500 million tons in 2011

In 2004, for the first time, the crude steel production reached 1.000 million tons. Since then, the world volume has steadily increased, exceeding 1.500 million tons in 2011, an overall increase of 50% over 7 years.

With a production of almost 700 million tons, China has strengthened its position as the world's leading steel producer. This increase of nearly 56 million tons is roughly the yearly production of Germany and France together.

The 3%-growth recorded in EU27 corresponds to a good level of activity during the first half of 2011. If we consider the 210 million tons produced in 2007, a substantial gap remains.

In 2011, 8 million tons of crude steel were produced in Belgium. It is very similar to the level of the previous year. Weaker demand and strong competition has led to a decrease of around 5% of the stainless steel production. The breakdown between electric steel plant and integrated steel plant remained relatively stable in 2011, a ratio of 65 / 35%.

	Mt	2011/2002	2011/2010	World = 100
China	696	282%	9%	46%
EU27	177	-6%	3%	12%
Japan	108	0%	-2%	7%
USA	86	-6%	7%	6%
India	72	151%	6%	5%
Russia	69	15%	3%	5%
South Korea	68	51%	16%	5%
World	1.527	67%	7%	100%

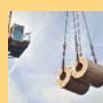


Increase of steel consumption in EU

Boosted by a dynamic first half, steel consumption in EU27 ended the year with a 6%-growth despite a difficult last quarter. Demand was particularly well oriented in Germany, France, the Netherlands, Sweden and Poland. However, it either stagnated or decreased in Italy, in the United Kingdom and in Spain.

An analysis of steel-using sectors shows strong increases in engineering, automotive and tubing sectors. The building sector ended the year with positive growth but evolutions varied widely from country to country.

By the end of the summer, the steel market showed a marked decline under the combined effects of the financial crisis, the widespread crisis of confidence due to sovereign debts and the high stock level. In most European countries, the economic growth was flat or slightly negative at the end of the year.



EU27 net importer again

Due to substantial increases in steel imports, EU27's trade balance with the rest of the world was negative again in 2011 (-1,2 Mt) after two favorable years. The most significant trade deficits concerned Ukraine, Russia and China. However, the trade balance was well oriented with the Near and Middle East, the United States and North Africa.

As in previous years, steel companies located in Europe had to be vigilant and had to organize and defend themselves, on the one hand against protectionist policies affecting access to raw materials, and on the other hand against business practices which are not in line with WTO rules. The EU maintained its policy of open area without customs duties.





sustainable development



Steel is playing an essential role in the battle against climate change and contributes to an efficient material management

The new innovating specificities of steel allow to reduce emissions and the environmental impact at the level of its applications in sectors like energy, transport and households. The saving potential of emissions at the level of goods and products in steel is often superior – up to 6 times! – compared to the emissions caused by the production of steel.

A "life cycle" approach also has to integrate the recurrent recyclability of steel. The recycling of scrap, originating from consumption or investment products at the end of the product life, in the steel production process enables to save on primary raw materials, like iron ore and coal, and to lower CO₂ emissions.

In the context of a sustainable material management, regulations have to consolidate the advantages linked to the various applications of steel and blast furnace slags – unavoidable at different stages of the steel process – in cement production, in road and hydraulic constructions, for stabilization works or also as fertilizer.



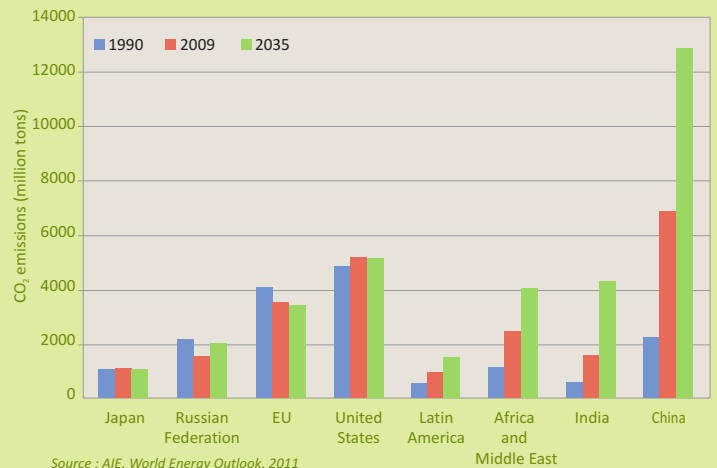
Climate policy : the efforts agreed on in the EU will only have a very limited result because of the global character of the problem

Sole the EU imposed very ambitious objectives to reduce CO₂ emissions by 2020. The emission allowances trading system, the constraints concerning energy efficiency and renewable energy are additional and will have an impact on the cost price of the basic industry.

While waiting for a global approach involving effectively all regions and countries of the world, appropriate safeguard measures have to protect the competitiveness of the European industry.

At the end of 2011, the Conference in Durban decided to extend the Kyoto Protocol for the period from 2013 to 2017/2020 : Canada, Russia and Japan refused to enter this second commitment period. Considering that the United States, China, Brazil, India and other emerging countries already didn't participate to the first period, as from 2013 the Protocol will only cover 13% of worldwide emissions.

CO₂ EMISSIONS : DEVELOPMENTS / BREAKDOWN



Energy : to limit additional costs

Electricity prices in Belgium are often much higher than in the neighbouring countries : this situation results among others from the extra costs of which a continually increasing share concerns the climate policy.

The implementation of the offshore windmills at federal level and the green certificate mechanisms put in place by the Regions for the promotion of alternative power production – windmills, solar energy and biomass – have to contribute to the increase of the part of renewables in the energy supply. A pragmatic approach is required, based upon technical feasibility and cost efficiency. For reasons of competitiveness, stable regulation frameworks have to provide appropriate measures in order to limit their impact on the prices charged to the industrial consumers.

The optimization of energy performances on the Belgian steel sites is managed by the voluntary agreements concluded with the Regional Authorities, fixing ambitious objectives concerning energy efficiency and CO₂ emissions. Tremendous investments made it possible to recover and to valorize greater volumes of gasses generated during the production process, to limit the losses of heat between subsequent production phases and to reduce the energy consumption by using better performing materials.

Being close to actual technical limits, a new progress in the limitation of the climate impact has to be realized by a break-through technology.



steel information and promotion



www.infosteel.be

Infosteel promotes the rational use of steel in the construction sector, in Belgium as well as in the Grand Duchy of Luxembourg.

The association groups : steel producers, metal construction companies, processing companies, manufacturers of façade parts and floors, merchants, general contractors, promoters, technical software developers, research centres, study and architectural firms, professors and students, ...

The promotion activities of Infosteel are based on four pillars :

1. Professional events in the media

- The Steel Construction Day 2011 is the biggest biennial happening of the sector taking place in the Grand Duchy of Luxembourg, with massive media attention. Over 200 professionals have taken part in the event and the conferences focused on the challenges of building with steel in the framework of sustainable development.
- The Luxembourg Steel Construction Contest 2011 has known a record attendance with 36 projects ; the laureates were given large attention during a press campaign.
- The Student Steel Trophy 2010-2011 included 16 projects, presented by Belgian and Luxembourg universities and colleges.
- The project visits enabled more than 200 professionals to discover innovative realizations made in steel : the windmills of Smulders Projects in Hoboken, the 'low energy'-division of TMVW in Ghent and visits to Berlin and Luxembourg organized in collaboration with respectively 'Bauforumstahl' and 'infoZinc'.



Station Belval-Université (LU), Atelier d'Architecture et de Design Jim Clemes
Nominated Steel Construction Contest 2011, Cat. A
Photo : Radhia Rante

2. Technical skills transfer

The seminars and training programs essentially concern three themes :

Fire Safety :

- 14 training sessions in fire prevention, organized inside fire stations.
- The Fire Safety Day 2011 in Luxembourg-city with 87

participants.

- A special edition of the magazine info_steel, dedicated to the recent regulations for fire prevention in industrial buildings.

Sustainable Development :

- The publication of the environmental declaration 'EPD Construction Steel' in collaboration with 'Bauforumstahl'.
- A particular edition of the magazine info_steel regarding the sustainable use of steel in façades.

Mixed steel-concrete constructions :

- Bilingual training series for design and calculations according to Eurocode 4.

Finally, a specific working group was created for the sector 'façades-roof-covering-floors'.

3. The 'European IPO Steel Network'

Infosteel is founding member of the network for the promotion of steel (ISN) which gathers the Centres for Information and Promotion of Steel in Europe (IPO's).

- Infosteel develops its actions in partnership within the scope of a larger dissemination of knowledge about applications of steel and sustainable development.
- The association has collaborated on the organization of exchange meetings with the most important European associations which are representative for the sector.

4. Dissemination of information and assistance for design

- 4 editions of the magazine 'info_steel' which emphasize on the advantages and the durability of steel constructions, as well as on the results of the professional and students' contests.
- The website www.infosteel.be, being consulted more and more frequently and counting 20.000 visitors each month.
- The publication of the book 'Steel-concrete construction' in collaboration with 'Bouwen met Staal'.
- The public library containing almost 6.000 books and papers on building with steel.
- The Helpdesk offers free assistance for projects ; in 2011 the team of experts dealt with 264 questions.



Bay Arena Leverkusen
Photo Acryl Max Bögl

- CRM is a Belgian collective Research Centre for the Iron and Steel industry as well as for the non-ferrous metals industry, with worldwide activities and ISO 9001 certified.
- CRM is located in Liège and in Ghent with two teams working in close collaboration on the basis of several unique world-class pilot lines and simulators.
- CRM research activities are financed by contributions from the Active Members (ARCELORMITTAL and TATA STEEL) and the Associate Members as well as by grants from the Public Authorities (Belgian Regions and European Community).
- Since December 2010, CRM has combined its activities with AC&CS (Advanced Coatings and Construction Solutions) (*) to form one single entity "CRM Group" with as main benefits:
 - unique R&D competences, unparallel breakthrough capabilities and a well recognized innovation culture primarily to serve the active Members;
 - a true European and world-class R&D player with more than 230 researchers and more than 32 Mio EUR annual budget;
 - enhanced open innovation through intensified partnership with other industries, R&D centres, equipment builders and universities;
- wide range of complementary competences and assets covering almost the complete "cycle of the iron atom" from sintering of iron ore fines to steel recycling.
- The year 2011 was dedicated to the integration process between the two entities CRM and AC&CS to achieve more efficiency, more flexibility and more value creation.
- CRM is also active in guidance and technology transfer towards the SME's via its group based in the "Pôle d'Ingénierie des Matériaux de Wallonie" (PiMW).
- Since late 2008, CRM has been involved in the patrimonial joint-venture "Metal Processing Centre" (MPC) with OCAS in Zwijnaarde. Since mid-2011, CRM is a Partner of MRC (Materials Research Cluster Gent) together with OCAS, SIRRIS, BiL and University of Ghent.

*Ex-ArcelorMittal Liège Research (AMLR)



belgian steel in figures

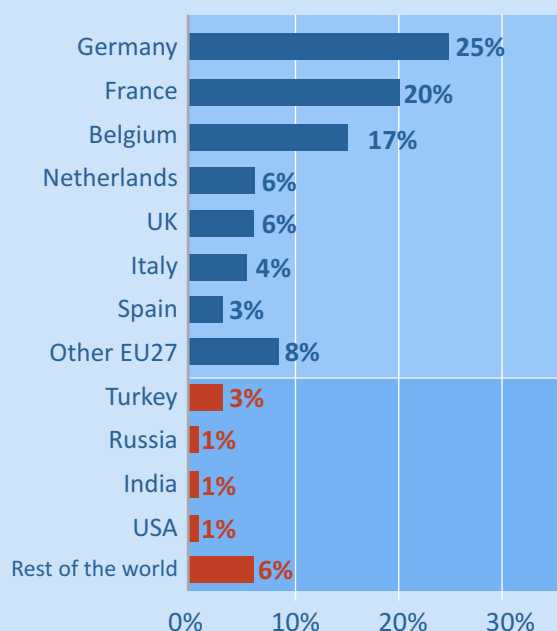
Steel production (in Kt and %)

	2009	2010	2011	2011/10
Crude steel (all steel)	5.635	7.973	8.026	1%
of which <i>Oxygen converter</i>	3.289	5.177	5.253	1%
of which <i>Electric furnace</i>	2.347	2.796	2.773	-1%
of which stainless & other alloys	1.045	1.306	1.241	-5%
Hot rolled strip	5.825	8.271	8.465	2%
Cold rolled	3.239	4.721	4.703	0%
Coated flat products	3.054	3.790	3.485	-8%
Plate	402	532	585	10%
Wire rod	723	761	879	16%

Other key figures of the sector in 2011

	2009	2010	2011e	2011/10
Employment (on 31/12)	14.472	14.274	14.197	-1%
Turnover (M€)	6.300	8.300	8.850	7%
Value added (M€)	1.200	1.150	1.250	9%
Exports (M€)	4.800	6.000	6.300	5%

Subdivision of deliveries in 2011





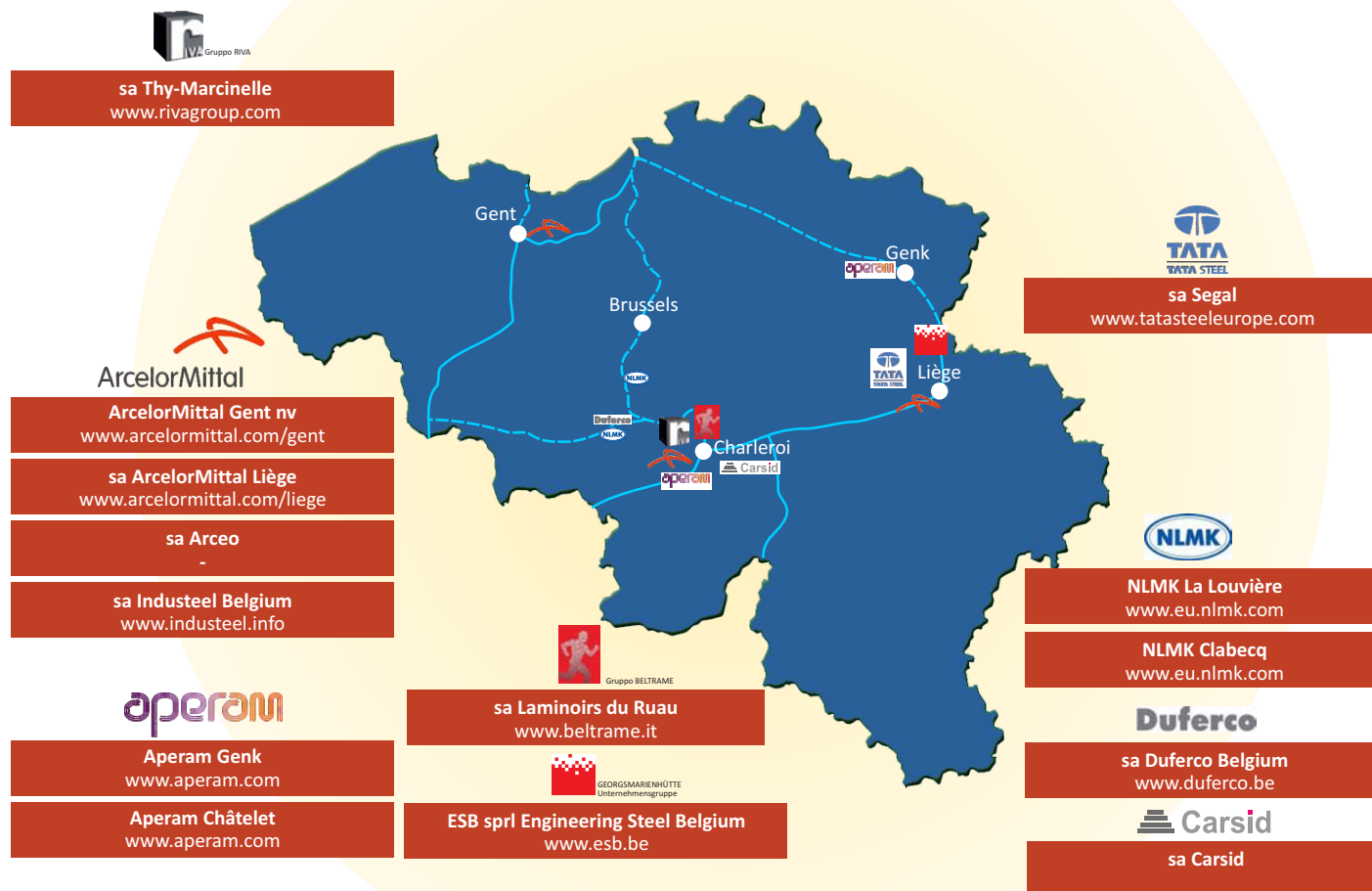
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GSV is the professional organization representing the Belgian steel industry.

on 01.01.2012

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