



Belgian Steel Federation

Annual Report

Belgian Steel in 2015





The Belgian and EU-28 steel industry will be remembering 2015 as a globally difficult year. The EU-28 crude steel production gradually went down and in spite of a favourable activity in the automotive industry and the beginnings of a slight restocking, consumption picked up only modestly. This conclusion can be explained by various causes, of which the two prevailing ones will undoubtedly have an impact on the sector's evolution in the following years, namely :

- the persisting weakness of steel demand in Europe ;
- the downturn of the activity level of China's main steel consuming sectors.

The severe economic crisis of 2008-2009 has fundamentally changed the framework in which the European steel companies have to operate. The impact of the new context is perfectly illustrated by the fact that the EU steel consumption level has stalled at some 150-155 million tons, compared to 200 million tons in the years prior to the crisis. Having analysed this factuality, the steel companies have been proceeding to adequate restructurings. However, they still are depending on the economic cycles. The EU GDP growth, which is in a 1,4%-1,9% range, is mainly being driven by the tertiary sector. Moreover, the lack of an actual industrial recovery policy is hampering the steel sector's revival. The decoupling of economic growth and a rise in steel consumption is thus clearly confirmed again.

A second but weighty explanation involves the expansion of the operational problems of China's steel industry (low utilisation rate, enormous debts, excessive pollution, frequent and serious work accidents).

China's steel production and consumption are way ahead of those of other countries and regions. China's crude steel production went up from 130 million tons in the year 2000 to 800 million tons in 2015. In the same time period, the country's steel producing capacities increased by 990 million tons. This high-speed expansion in production and consumption suddenly has come to a standstill since 2014. In 2015, production and consumption declined by respectively 2,3% and 3,5%. This negative evolution is expected to go on and even to aggravate, given that China's per capita steel consumption is considerably higher than e.g. in Germany and a fortiori in the EU.

In spite of this reversal, new production capacities are being built up. China's overcapacity is estimated to be some 400 to 450 million tons, i.e. three times the EU-28 consumption level. In an attempt to remedy this gloomy situation which affects not only the steel sector, China's central government is on the one hand setting up five-year adjustment plans, and is on the other hand intensifying its political pressure on the authorities of the world's main economic powers, in order to be granted market economy status, however without satisfying the necessary criteria.

Mostly backed by their authorities, China's steel producers are meanwhile "exporting" their home problems by resorting to dumping and subsidies. In one year's time, the EU imports of Chinese steel products have on average gone up by over 50%, and in some cases even by 150%. This fierce commercial attack is gravely distorting the market functioning and is bringing about an alarming deterioration of the EU steel companies' operating margins.

The first months of 2016 have been experienced as being roughly similar to the year 2015, given the hesitant economic situation, a fragile international context, ever more intense competition, the constant pressure of low priced steel imports, the exacerbating imbalances on the world steel market and in the EU import/export proportions, and the acute need for a revival of the companies' competitiveness.

To be able to take up all these challenges, the EU steel sector is urging the European authorities to :

1 focus the EU trade policy on strengthening the efficiency of the legal tools for trade defence against unfair competition, as well as on a necessary and accurate assessment of the devastating consequences – notably on employment – of granting China a premature market economy status ;

2 fundamentally reshape the 4th revision project of the EU Emission Trading Scheme (ETS), which in its present version would impose over 2021-2030 a 34 billion € additional cost on the steel companies. This gigantic sum would bring by 2030 the CO₂ price to 30 € per ton of crude steel. This unilateral burden on the European steel companies, applied even on the most energy efficient ones, will not be recoverable on an open market such as the one for steel. The proposal of the Environment Directorate General of the European Commission will ultimately ring the knell of the European steel sector, although this industry is highly performant, innovative, in perfect cohesion with the goals of a circular economy, and offering a frame for the whole of the European industry ;

3 support the Belgian and European steel industries' constant process and product related efforts which allow to make a difference with the competitors active in the same field.

The Belgian authorities are asked to bring down the tax burden a.o. by setting up an energy standard allowing to keep the overall Belgian energy costs in perfect line with those of the neighbouring countries, which are also our main trading partners.

2016 will be another difficult year for the sector. Cohesion and commitment of all the stakeholders are thus essential prerequisites for any recovery.

Wim VAN GERVEN
Chairman

Social Affairs

SOCIAL DIALOGUE

As for social affairs, the year 2015 was mainly focused on the preparation, the negotiation and the finalisation of a sectoral framework for the 2015-2016 period.

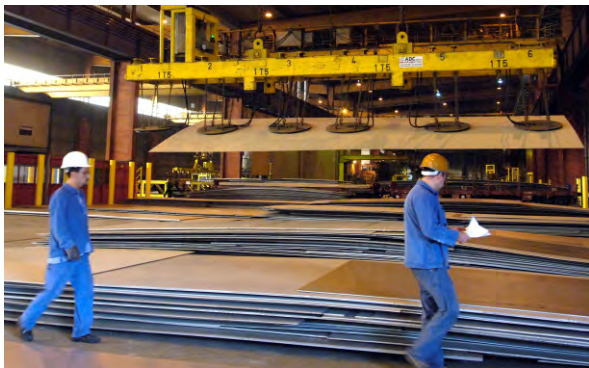
In line with the agreements reached by the "Group of 10" (i.e. the statutory social body composed of representatives of several trade unions and employers' associations) and following certain government decisions, the steel sector's social partners came in Fall 2015 to a sectoral agreement for respectively blue-collar and white-collar workers.

The preceding sectoral talks largely and intensely involved several end-of-career schemes. Indeed, the age limits for the unemployment with company allowance regime and the end-of-career time credit scheme had been raised, and new legal dispositions on the availability of the unemployed had to be reckoned with.

The result of the negotiations is thus a continuation of the previous sectoral agreements but also taking into account the new legal framework laid down by the Government as well as the arrangements that were agreed upon in the cross-sectoral social talks.

The agreement also offers the social partners the possibility to handle in ad hoc working groups the question of the sectoral impact of the statutes' harmonisation as well as the issue of the work's arduous nature. For the rest, the agreement is extending some former dispositions.

Furthermore, the agreement outlines a sectoral frame in which the individual companies are to carry out themselves, within an active social dialogue, several sectoral dispositions.



In the cross-sectoral field, the year 2015 has been very busy as numerous changes were brought into force in the social legislation, e.g.

- the introduction of several long-range measures in order to lower the burdens on business activity :
 - a reduction of the facial rate of the social security contributions, with the aim to cap them at 25% by 2019 ;
 - adjustments in the timing for raising the percentage of the payroll tax exemption for night and shift work ;
 - the adoption of deduction schemes for the manufacture of high-technology products ;
- the adoption, only for 2016, of a maximum wage margin, expressed as a total cost for the employer and to be materialised as a 'traditional' envelope with a gross wage increase of maximum 0,5% and/or as a net salary

components envelope (max. 0,3%) with a moderate social-fiscal burden ;

- a change in the rules for the guaranteed return of the complementary pension plans : whereas the principle of a compulsory guaranteed return is being maintained, the level of this liability is brought down to make it bearable for the companies as well as for the insurers. As from 1 January 2016, the scheme is being adapted by the introduction of an automatic variation rule that puts the guaranteed return within new minimum and maximum limits.

HEALTH & SAFETY

Safety at work is a priority challenge requiring a constant commitment of each individual on the steel companies' premises, be it employees, their hierarchic superiors or external contractors.

Variations in the safety scores are a message to remember all internal or external parties involved that their conduct is playing an essential role in their own and their colleagues' safety.

The steel companies are permanently analysing their results in safety matters, and they carry out actions to improve the safety procedures and to enhance the collaboration with the sector's subcontractors in order to bring the scores of those employees at the level that is reached by the internal staff.

In their most recent talks, the sectoral social partners explicitly reconfirmed their devotion to the reference framework of best practices for health and safety when subcontracting.

TRAINING

In a context that is extremely prone to changes and that is characterized by constant technological evolutions and necessary organisational assimilation by the companies, the development of professional skills by means of basic or advanced (formal and informal) trainings is vital for the industry's competitiveness.

The steady advance of the steel companies' indicators in this regard – e.g. the ratio between training and working hours, or the participation rate – illustrates that the social partners are constantly making efforts for an active training policy based on the employees' actual needs.

The sectoral agreement that has been concluded for 2015-2016 supports the companies' active approach in the field of training, although the government decided to put on hold the application of the legal framework for training efforts in the wake of the Constitutional Court ruling that nullified the penalty regulation and after an expert group had submitted its government-ordered reports on the training efforts level.



Production - Consumption

2015 : almost generalized decline in the world crude steel production

In 2015, world crude steel production amounted up to 1.623 million tons, which represents a decline of 2,9% or nearly 50 million tons in one year's time.

No region has been spared. Asia, India excluded, suffered heavily from the delayed economic growth of China. This country that remains by far the largest producer in the world – one out of two tons is produced there – noted in 2015, and this for the first time, a weakening of the produced steel volume from one year to the other. The economic impact also spread out to the activity of other important steel players, such as Japan and South Korea.

In EU28, crude steel production fell by 1,8% to 166 million tons. The region globally remained confronted with the aftermath of the economic and financial crisis of 2008-2009. The revival of growth is slow especially as different threats have to be taken in account, such as the level of public and private debt, the weak inflation, the fluctuations of world economy and the geopolitical risks. The steel industry also had to face a substantial rise in imports from China provoked by the weakness of their domestic demand.

Production in Belgium decreased by 1% in 2015 to 7,3 million tons, of which 2,4 million (+2,9%) by way of the electrical process. Stainless steel production amounted to 1,5 million tons, an increase of more than 10% from one year to the other.

	Mt	2015/2005	2015/2014	WORLD=100
China	804	126%	-2%	50%
EU28	166	-15%	-2%	10%
Japan	105	-7%	-5%	7%
India	90	96%	3%	6%
USA	79	-17%	-10%	5%
Russia	71	8%	0%	4%
South Korea	70	46%	-3%	4%
WORLD	1623	41%	-3%	100%

Slower growth of EU28 steel production in 2015

The activity's evolution hasn't been homogeneous in 2015. A first modest quarter was succeeded by a second one in full growth, followed by a standstill in the third one and a rebound in the fourth. The automotive sector, as well as the other transport means have been particularly dynamic. The construction and other metal goods sectors also helped to support steel demand, however in a more modest way. The feebleness of investment however strongly impacted on the activity of the mechanical construction sector.

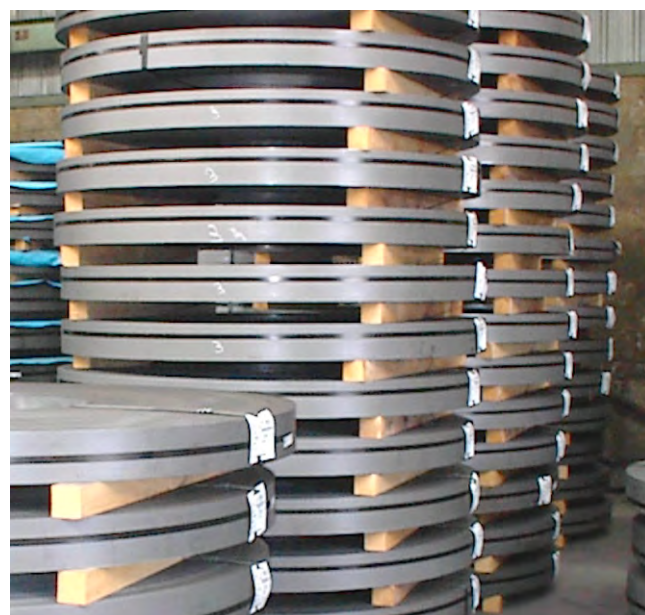
Apparent steel consumption in EU28 rose by almost 2,3% over the whole year reaching 150 million tons, which is still far from its 200 million peaks of 2007. However, the development of imports led to imbalances between supply and demand, to upturns of stocks and to degradation of financial margins.



European steel industry at risk

With an export of 27,8 million tons and an import of 32,3 million tons, EU became net importer of steel in 2015. In one year's time, imports from China, by far the first exporter towards EU, increased by 58% to 6,6 million tons. Developments were even more impressive for some products, such as hot rolled coils (+158%) or quarto plate (+95%).

In order to be able to defend themselves, it is important that all actors are subject to the same rules defined by WTO, which is not the case nowadays. The absence of environmental constraints, as well as Government interventions in the allocation of resources and in price determination for energy and raw materials provide Chinese producers with unacceptable competitive advantages. Europe has the duty to assure that the rules it imposes to its own companies, are complied with by all players on the EU market. In this context, granting Market Economy Status to China and thus the weakening of the possibilities of appeal for European entrepreneurs would mortgage the future of a steel sector in Europe.





Sustainable Development

Limitation of Global Warming is a shared responsibility.

The agreement reached at the end of the 21st Conference of the Parties of the UN Framework on Climate Change (COP 21 in Paris) is focusing on increasingly ambitious 5-year plans established by each of the contracting countries. The objective is to limit global warming below 2°C compared to the pre-industrial era and to confine it to 1,5°C. Halfway through, an inventory of the collective effort will be established. In order to enable progress monitoring, the co-signer States are committed to a transparent approach : therefore, the provisions as well as the mechanisms for implementation and monitoring have to be confirmed, or even strengthened.

The steel industry welcomes the Paris agreement but regrets the absence of a level playing field. In anticipation of a global climate agreement with effective enforcement of comparable constraints for all countries in the world, EU must ensure that its climate policy doesn't provoke additional costs unilaterally for industry in Europe.

Stimulating investments for the realization of ambitious EU objectives in energy efficiency, reducing CO₂ emissions while contributing to the industrial revival in Europe

The new EU Emission Trading Scheme (ETS) 2020-2030 proposed by the European Commission, has to be adapted in order to adequately protect EU industry's competitiveness.

EU ETS – Principles to integrate at the level of best-performing installations in sectors exposed to a high risk of carbon leakage, such as the steel industry :

- *Free allocation of emission allowances :*
 - . covering 100% of the needs
 - . based on realistic benchmarks, established in terms of technical and economic feasibility
 - . without linear reduction factors
- *An adequate compensation for the indirect carbon costs passed through in the electricity prices*

By means of voluntary agreements steel industry in Belgium is committed to optimize energy efficiency and to reduce CO₂ emissions. The achievement of these ambitious targets after consenting considerable efforts must go hand in hand with a consistent and competitive energy supply.

Therefore, steel industry insists on the urgency of introducing an energy norm comparing the evolution of electricity and natural gas prices in Belgium and its Regions with the developments in the neighbouring countries. The follow-up has to take into account all components, namely the commodity price, transport and distribution tariffs as well as all the extra charges, including those inherent to climate policy. Also, the system has to provide for the necessary measures in order to correct possible competitive handicaps.

A mobility and transport policy adapted to the needs

Taking into account the impact on their cost price, industrial shippers must have access to efficient transport at competitive conditions, both at the levels of supply and deliveries.

Politics has to focus on a multimodal approach – integrating in the European context rail, inland waterways and road – and provide for an effective maintenance and an intelligent infrastructural development based on the evolution of needs.

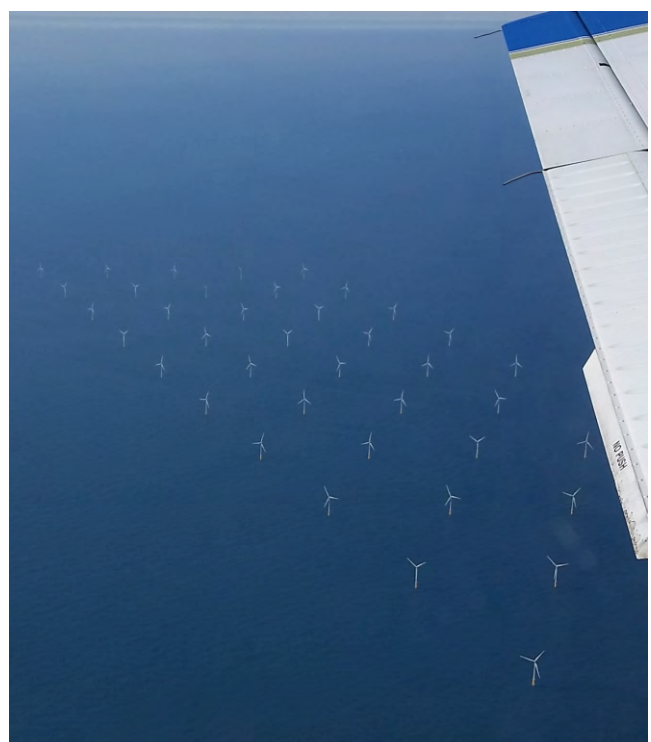
In Belgium, 2016 will be marked by the introduction – as from April 1 – of the kilometre tax applicable on motorways and on some regional and local roads for all vehicles over 3,5 tons. This measure will be more expensive than the 'Euro-vignette' it replaces. In order to actually contribute to the objective of reducing road congestion, industrial shippers claim an extension to private passenger vehicles, which would also lessen the financial impact for the industrial shippers.

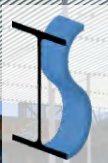
Steel, sustainable product, is the engine of progress.

Steel is at the heart of economic and industrial development and provides concrete solutions to the climate challenge.

By means of multiple innovative new applications, steel contributes to the creation of lighter, safer and less energy consuming means of transport ; to best-performing metal and mechanical constructions ; to the optimization of electricity generating facilities (conventional power stations, windmills); to more efficient infrastructures (building ; civil engineering; transport networks for electricity, gas and petroleum products).

Thanks to its recurring recyclability, steel fits perfectly into the concept of a circular economy. Scrap from industrial equipment or 'end-of-life' consumption goods are at the base of 45% of EU steel production, saving thus significant amounts of primary raw materials and energy. Steel is in fact the most recycled material in the world.





Operating in Belgium and the Grand Duchy of Luxembourg, Infosteel promotes the qualitative use of steel in the construction industry. The association is supported by many members, mainly from the steel industry, construction companies, design companies and architects, surface treatment manufacturers, wholesalers and software companies. A growing number of companies affiliates to the association because of the attractive actions undertaken, visualization on the website www.infosteel.be and publication of member communications.

Infosteel shares its know-how and expertise during study days, through training courses, publications, network activities, free support from the Helpdesk (fire safety, EN 1090, corrosion and construction).

Infosteel's promotion and communication campaign is based upon four main topics :

1) INDUSTRY EVENTS WITH MEDIA COVERAGE

• The Steel Construction Day 2015

More than 260 professionals from the world of construction (architects, consultant engineers, metal construction companies, business people, teachers, public authorities) gathered in the "Chambre des Métiers à Kirchberg" (Luxembourg) on November 10, 2015. This biennial event (in collaboration with Fedil Steelconstruction and the FEMM) puts forward the advantages and possibilities of metal construction. As a real showcase of the sector, the Steel Construction Day is the opportunity for professional stakeholders to make their work known and recognized. Besides company stands active in the metal construction sector, renowned speakers dealt with the new conceptual, technical and economic issues of building with steel.

• The Steel Construction Contest 2015

listed the participation of 26 projects. A panel of experts selected 11 nominees and awarded 5 prize-winners. This year, the participants of the Steel Construction Day also granted an audience prize. All these projects benefitted from a press campaign.

• Visits to projects

each year give to more professionals the opportunity of discovering innovative steel projects : Waalse Krook in June 2015, hospital AZ Zeno in Knokke in September, followed in October by a visit to the company Galva Power in Antwerp.



2) THE TRANSFER OF TECHNICAL SKILLS

Seminars and training courses are focused on following subjects:

• Study day on industrial buildings

On May 8, 2015 a study day in Essene has been devoted to industrial buildings. It was a huge success with over a hundred participants.

• EN 1090 standard and CE marking

During this year, two half-days of study took place : one – in collaboration with the engineers' association "ie-net" – was held in Antwerp on April 24, 2015 and another one was organized in the Grand Duchy of Luxembourg in the offices of the "Ordre des Architectes et des Ingénieurs-Conseils" on June 17, 2015.

• A basic training program on steel

A 5-day training program was launched in September and October 2015. These courses are designed especially for persons uninitiated with steel.

• Monitoring of standards and legislation

Infosteel diligently follows standardization and the development of major technical themes by taking an active part in technical committees set up by the federal and regional Governments.



3) THE 'EUROPEAN IPO STEEL NETWORK'

Infosteel is a founding member of the network for steel promotion, which brings together the Centres for Information and Promotion of Steel in Europe (IPOS).

Infosteel is developing partnership initiatives as part of a wide distribution of knowledge on steel applications and sustainable development.

The association has cooperated in organizing exchange meetings with the main European organizations representative of the sector.

4) DISTRIBUTING INFORMATION AND PROVIDING SUPPORT FOR DESIGN

- 3 editions of the 'info_steel' magazine highlight the numerous benefits of steel construction and publish the results of the Steel Construction Contest 2015.
- The www.infosteel.be website, with a growing number of visitors, reached over 15.000 visits monthly.
- The Helpdesk service provides free support. Its team of experts dealt with questions, mainly relating to Eurocodes, fire resistance, sustainable construction, corrosion and many other technical details.
- 5 Newsletters publish the most recent steel performances, as well as the announcements of our members.

CRM Group, as collective research centre of the Steel and Metal industries, provides its industrial members (more than 44 in 2015) and clients with solutions in terms of R&D, process technology and product applications covering a broad range of market segments and technical fields linked to the metallic materials.

Thanks to the support of its industrial members, the CRM organization has continued to grow (245 people active in 2015) and is present to implement its own development, not only in Belgium but also in Europe and in the World for the benefit of its members.

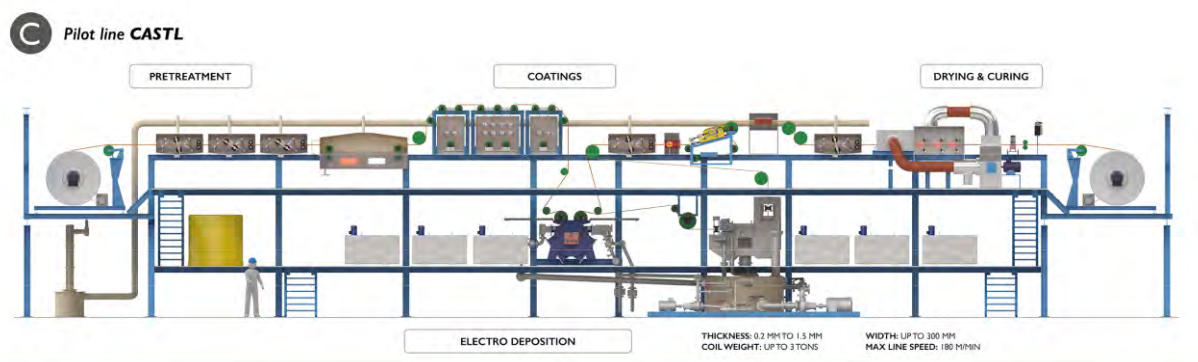
The CRM expertise extends from upstream to downstream operations with strong competence and experimental tools in sintering, blast furnace, EAF steelmaking, rolling and thermal treatment, annealing and coating, production characterization, ... One can highlight in 2015 the upgrading of a very flexible and modular multifunction pilot line called CASTL (Continuous Advanced Surface Treatment Line) allowing to process various metallic substrates (pickling, degreasing, electro-deposition, coatings, ...).

A large part of the R&D activities remains devoted to improve the capabilities and performances of existing production routes by integrating novel technologies and adapted operating practices as well as to enlarge their product mix.

However, new initiatives have been recently launched with the support of Regional Public Authorities to promote new economic and industrial concepts favoring a larger cross-sectorial partnership and a better valorization of local resources.

A first example concerns the recycling and valorization of by-products, waste and end-of-life products containing metallic residues and metal components. This project – nicknamed “Reverse Metallurgy” – is supported by the Walloon Region and associates foundries, the steel industry, the recycling industry and the manufacturing sector notably.

As a second example, one can mention a strategic development axis focused on the new additive manufacturing techniques for producing metallic pieces and structures including large scale 3D components.



Belgian steel in figures

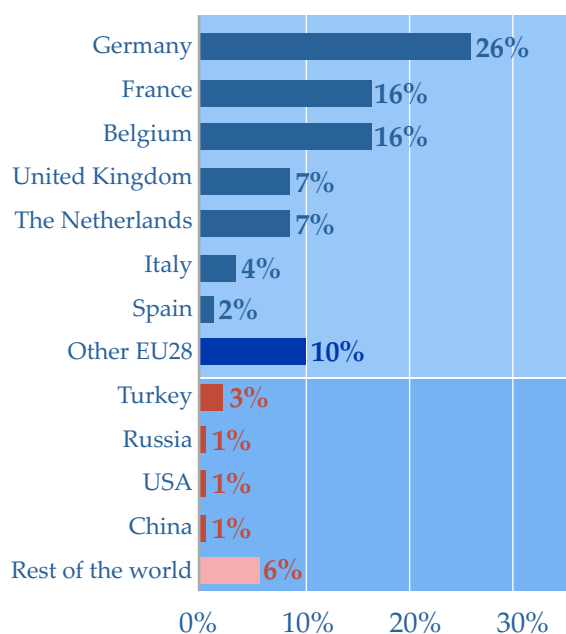
Steel production (in Kt and %)

	2013	2014	2015	2015/14
Crude steel (all steel)	7.093	7.331	7.257	-1%
of which Oxygen converter	4.738	4.952	4.809	-3%
of which Electric furnace	2.355	2.379	2.448	3%
of which stainless	1.298	1.388	1.537	11%
Hot rolled strip	6.988	7.038	7.597	8%
Cold rolled	4.524	4.687	5.010	7%
Coated flat products	3.674	3.903	3.803	-3%
Plate	510	562	509	-9%
Wire rod	796	792	798	1%

Other key figures of the sector

	2013	2014	2015e	2015/14
Employment (on 31/12)	11.802	10.572	10.679	1%
Turnover (M€)	8.350	7.100	6.900	-3%
Value added (M€)	1.050	1.270	1.150	-9%
Exports (M€)	5.400	5.300	5.500	4%

Subdivision of deliveries in 2015





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on 01.01.2016

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