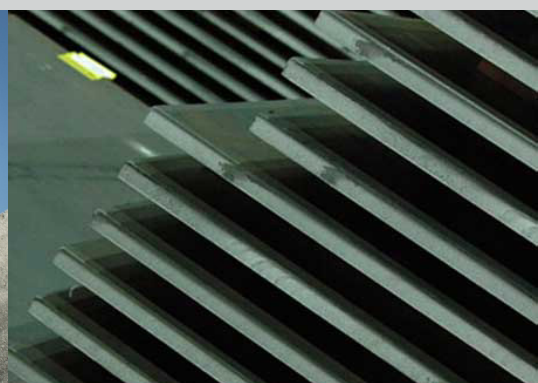


Belgian steel in 2019

Annual report



Word from our Chairman

Trade

After two consecutive years of cautious recovery, 2019 proved to be a difficult year for the Belgian steel industry. A series of external factors created a scissors effect that deeply damaged the profitability of our activities. First there was the rapid slowdown in economic growth, which meant that many industrial sectors, including the automotive industry, experienced a drop in activity. Then there was the rise in raw material prices and the tripling of the price of CO₂ emission rights under the ETS.

In 2018, the Trump Administration introduced a 25% tax on imported steel, starting from the first tonne. In response, the European Commission introduced a series of safeguard measures. The aim was to avoid steel being diverted from the US market to the EU market. These measures, which came into force on 2 February 2019, were welcomed by the Belgian steel industry. It was also positive that, for most steel products, import quotas were set by country.

Nevertheless, the effectiveness of such measures is determined by the way in which they are applied in practice. Even after an initial adjustment in October 2019, it soon became clear that the expectations of the steel industry were not sufficiently met. Some countries had already exhausted their annual quotas for certain products in the first few weeks.

Equally important is the fact that the measures reflect the actual development of demand in the steel market. At the end of 2019, we saw the first signs that steel demand in 2020 would fall for the first time in six years. These signs became a certainty with the arrival of the coronavirus. A particularly significant drop in market demand is expected in 2020, with a marked dip predicted in the second and third quarters. This is why we have called for an urgent and significant reduction in the amounts of quotas initially proposed and for them to reflect market demand.

Climate

In 2019, the climate moved to the top of the political agenda, not least because of the many climate marches and student actions. In Europe, 2019 was also an extremely important year from a climate perspective due to the launch of the 'Green Deal' by the European Commission in December. This instrument is to become the EU's new growth strategy and is compared, in terms of scale, to the creation of the single market. The European Green Deal's ultimate goal is to make Europe the first climate-neutral continent by 2050.

Steel is one of society's basic materials, and for this reason, a 'Green Deal for Steel' project has been put to EU policymakers. The aim of this project is to ensure that the economic and ecological importance of steel is taken into account in the European initiative.

In terms of energy efficiency and carbon footprint, the Belgian steel industry is already a world leader. However, our ambition does not stop there, and we want to tackle the challenge of moving towards carbon-neutral steel production by 2050. In 2019, the go-ahead was given for the construction of a number of break-through industrial-scale technologies for the production of crude steel using the blast furnaces route. These include Carbon Capture and Utilization (CCU), where carbon from blast furnace gases is captured and converted into bioethanol.



Part of Belgium's crude steel production comes from the use of electric furnaces that run solely on scrap metal. Here, too, steps can be taken towards carbon-neutral steel production, provided that sufficient green energy is available. Of course, prices must be closely monitored, as the most recent studies on the subject confirm that Belgium suffers from an electricity price handicap compared to other countries because of various additional taxes and higher transport costs.

However, the transition to carbon-neutral steel production is such a massive undertaking that it can only be achieved if an appropriate framework for innovation, financing, investment and international trade is developed. With this in mind, the Belgian Steel Federation supports the initiative to introduce a Carbon Border Adjustment Mechanism. Thanks to this mechanism, the effort and cost involved in the transition to carbon-neutral steel production would be reflected in the price of non-European steel and in the price of steel produced under the European Green Deal flag.

Together

In 2019, the Belgian Steel Federation also welcomed a new member, Liberty Liège-Dudelange. This entity, part of Liberty Steel, was created after the sale of a number of production lines in the Liège region.

In the spring of 2019, a social agreement was again concluded between the social partners of our sector. This agreement is in line with the decisions of previous agreements, taking into account legislative developments and new elements resulting from the latest Interprofessional Agreement (IPA).

Last but not least, I would like to thank all our employees and steel sector stakeholders for their commitment and dedication. Day after day, they ensure that Belgian steel contributes with a wide range of applications for the current generation. The profound changes we have been facing in recent times once again demonstrate the importance of local anchoring. This is why we advocate the expansion and strengthening of the Belgian and European steel industry. This is the only way we can combat unfair practices from outside and continue to shape the way forward.

Manfred VAN VLIERBERGHE
Chairman

COVER (f.l.t.r.):

Steel production Thy-Marcinelle, photo Riva Group //

Drone in the raw materials park at ArcelorMittal Ghent, photo ArcelorMittal Ghent //

Steel production (NLMK Clabecq), photo NLMK //

Loading quay of the port at ArcelorMittal Ghent, photo ArcelorMittal Ghent //

Steel production Aperam Genk, photo Aperam //

Steel in automotive, photo by Joey Banks on Unsplash

Trade

A sharp slowing down of economic growth in 2019 caused a decline in European steel consumption for the first time since 2012. Apparent consumption fell from 162 Mt in 2018 to 154 Mt in 2019 (- 5.3%). In 2020, market demand is expected to decline particularly strongly as a result of the Covid-19 crisis.

Steel imports into the EU decreased slightly over the last year but remain at an alarmingly high level compared to 2012. This minor fall was probably due to reduced market demand, market prices being at rock-bottom levels and the limited impact of safeguard measures for certain product groups. Turkey remains by far the largest exporting country, followed by Russia and South Korea.

Stainless steel imports remain worryingly high. China is overtaking Taiwan and the Indonesian share of stainless steel imports continues to rise.

Germany (27%) remains the largest market for Belgian steel, followed by Belgium (15%), France (15%) and the United Kingdom (7%). Exports outside the EU remain stable at around 10%.

Steel production in Belgium

Fig.1a - Steel production in Belgium (ton) ■ 2019 ■ 2018 ■ 2017

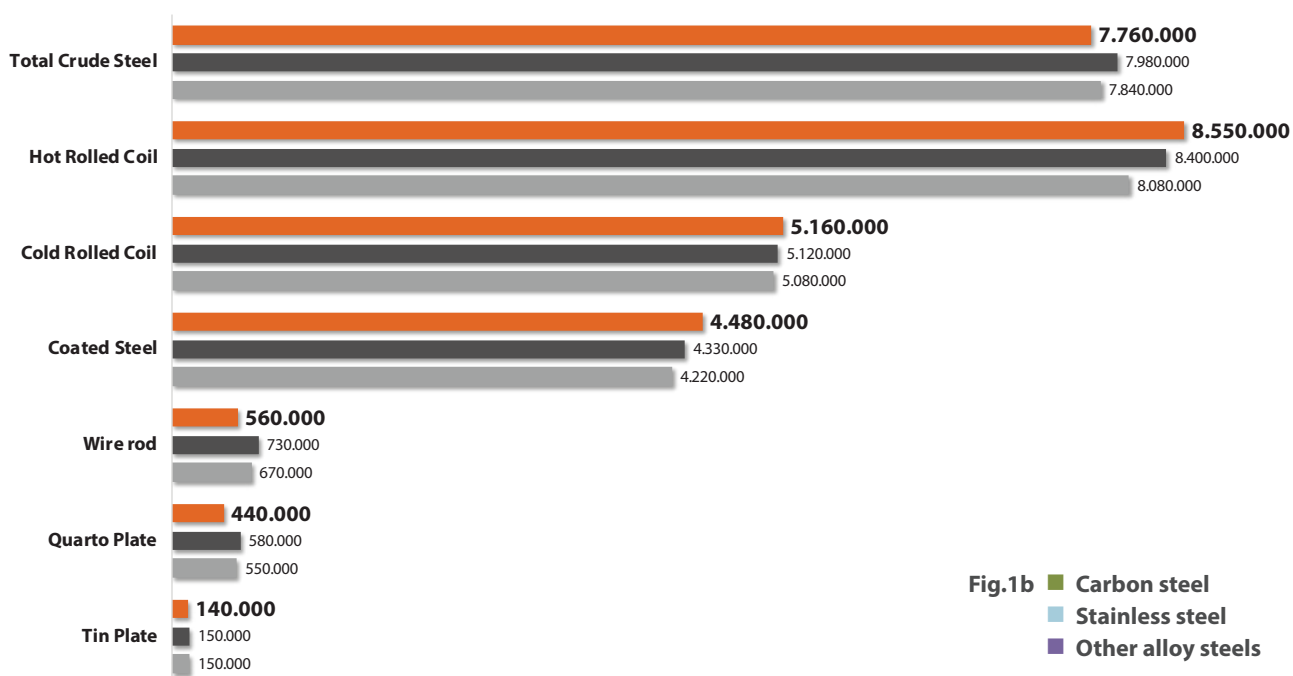


Fig.1d Deliveries

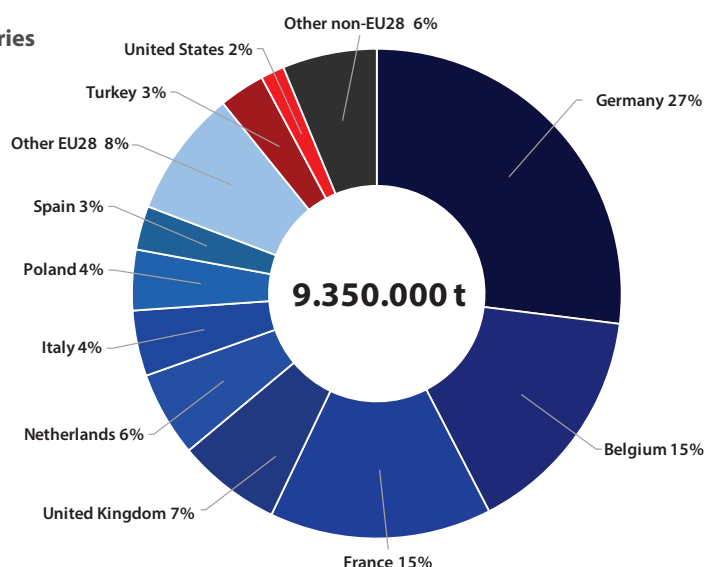


Fig.1b ■ Carbon steel
■ Stainless steel
■ Other alloy steels

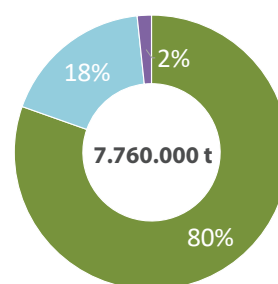
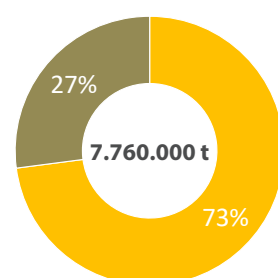
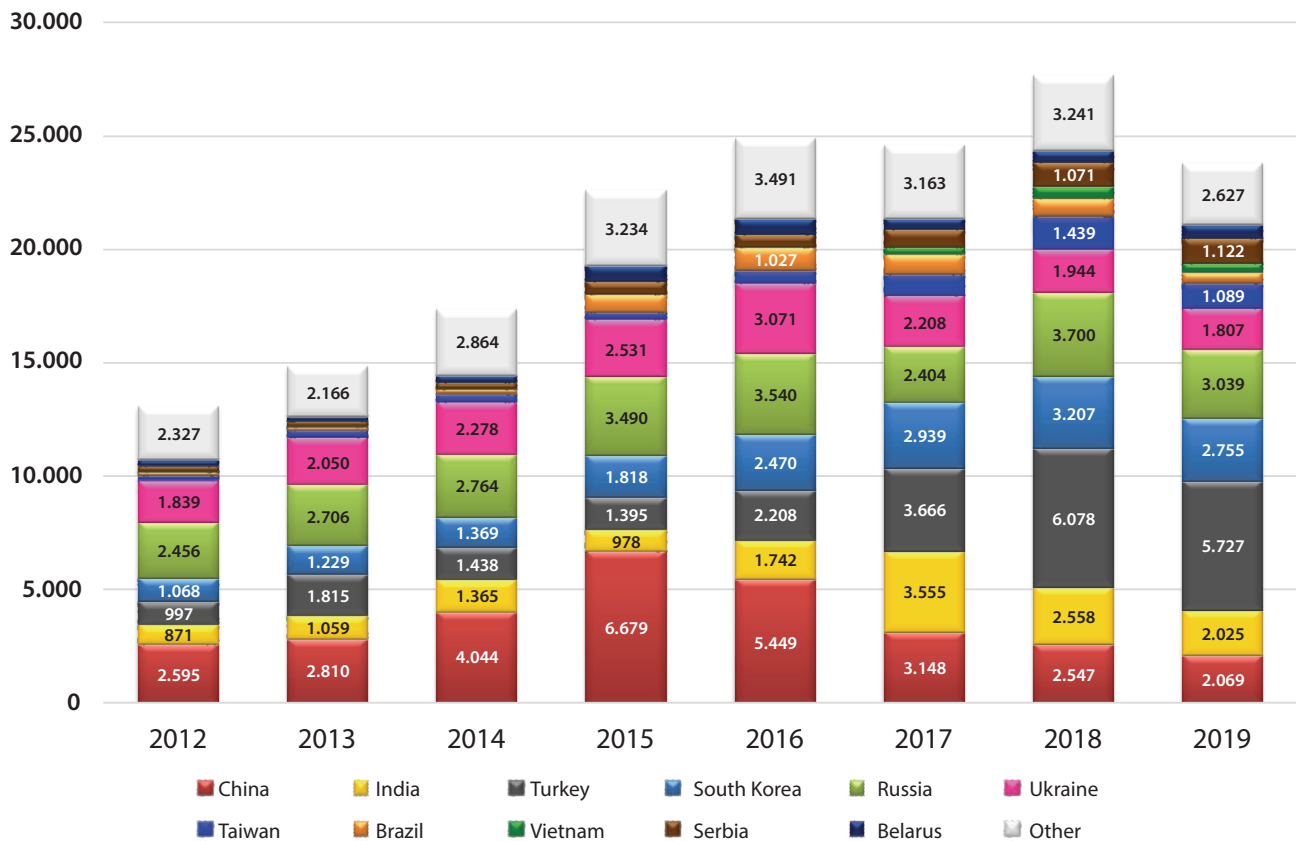


Fig.1c ■ Via blast furnace
■ Via electric furnace

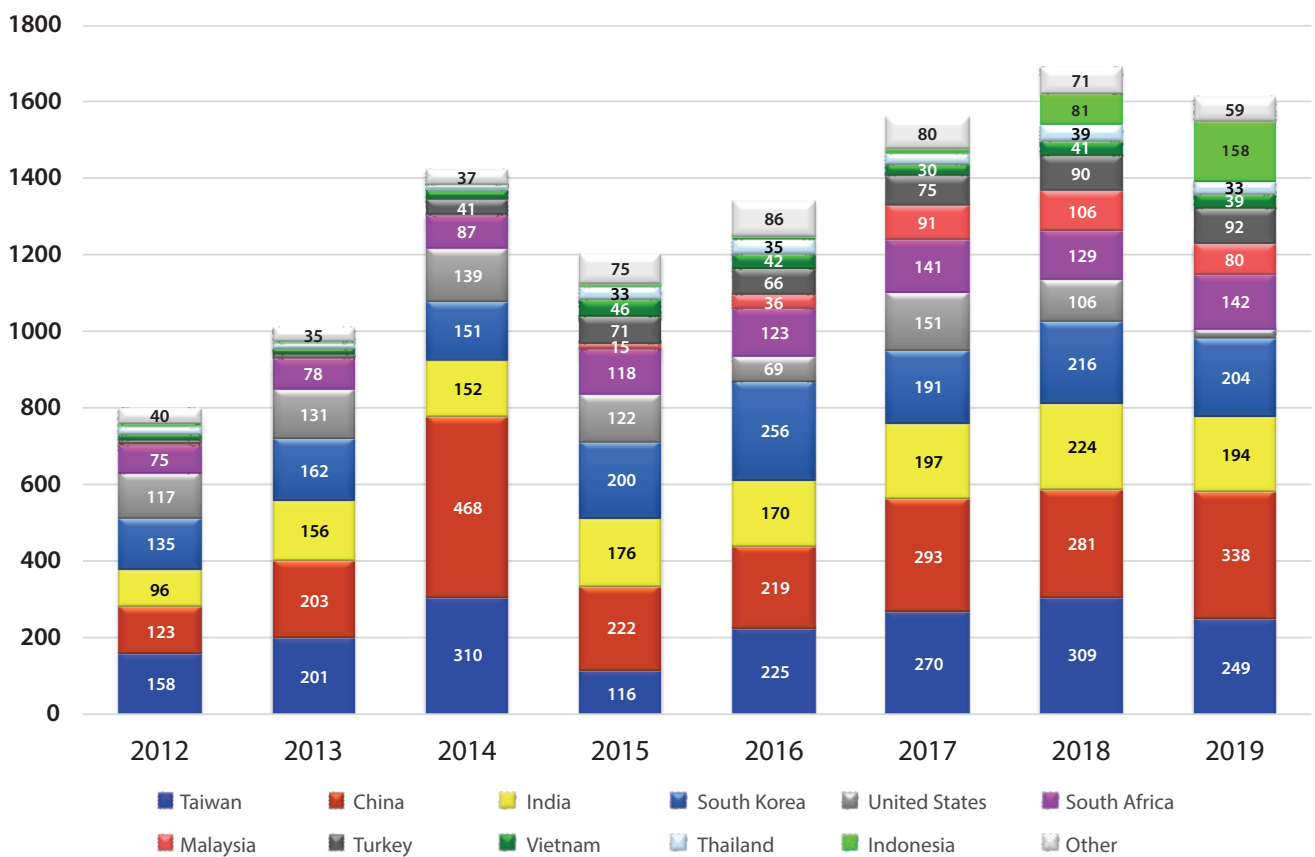


Steel import in EU28

Carbon steel*



Stainless steel*



(*) Excluding semi-finished products

Social affairs

Sectoral agreement

Over the past year, the sector's social partners concluded a sectoral agreement for 2019-2020. The agreement traditionally provides an overall framework which paves the way for company negotiations by guaranteeing the extension of various arrangements while ensuring that they are in line with changes in legal provisions.

It is important to remember that the conclusion of the Interprofessional Agreement 2019-2020 (IPA), which required the then Government to set the wage standard by Royal Decree, was ultimately unsuccessful. The choice was made to favour a return to a more traditional application of the wage norm, abandoning the tried and tested implementation of the previous agreement, using 'gross' and 'net' pay envelopes. At the same time, intersectoral social partners concluded numerous agreements to implement the commitments made through the IPA-project. The main point of contention remains the issue of the substantial revaluation of the minimum wage.

On a sectoral level, the points of tension in the intersectoral discussions also caused important exchanges between the various representatives. The negotiations were tough, but the balance desired by all parties was achieved.

One of the particularities of the 2019-2020 sectoral agreement is that it provides for the extension of the unemployment regimes with company supplement (RCC), up to and including 30 June 2021, in accordance with the possibility opened up by the National Labour Council agreements. However, the conditions

needed to be able to incorporate into the agreement the subject of the necessary harmonisation {workers/employees} of supplementary pension schemes by the deadline of 31 December 2024, were not met.

Temporary Unemployment Modalities

The probability of a 'no-deal' Brexit prompted several sectors to defend, at the end of 2019, the introduction of an 'ad hoc' derogation for a temporary unemployment scheme. The Belgian Steel Federation supported the need for a structural adaptation of the economic unemployment regime consisting mainly of simplifying the administrative aspect of the procedure (communications, notifications, notification of the first day of monthly temporary unemployment, etc.) and aligning the regime for white-collar workers with the one for blue-collar workers.

This demand, defended since the 2009 crisis and recalled in 2019, is all the more pertinent now, in the context of the Covid-19 health crisis. Companies have a vital need to be able to flexibly resort to temporary unemployment for their workers of all categories.

Weapons destruction

Under the approving eye of Ministers Koen Geens and Pieter De Crem, no less than 5,000 firearms were destroyed at ArcelorMittal Ghent in February 2019. These represent the majority of the declarations in which private individuals surrendered non-licensed firearms, bullet loaders and ammunition during the amnesty period in 2018.

The weapons were converted at 1,700 °C into liquid steel, from which steel plates are made, suitable for, among others, the automotive and construction industries.



The largest sunroof in Belgium at ArcelorMittal Ghent

In September 2019, ArcelorMittal Ghent completed the installation of their sunroof in collaboration with Eneco. With some 27,000 solar panels, the Ghent site is the fourth largest solar park in Belgium and the country's largest solar park on one roof.

The new solar panels will produce 10.16 MWp annually, equivalent to the energy consumption of 2,900 households. With 10 wind turbines already installed - and 2 more planned - and the solar panels, the Ghent site will soon produce about 50 MW of green electricity. The renewable energy that is generated, will be used internally by ArcelorMittal Ghent to supply its production. As such, the solar roof will help the company achieve its ambition to be climate-neutral by 2050.



Fl.t.r.: Iwein Goigne, CEO ENECO Solar / Sam De Smedt, then Head of Cabinet of the Flemish Minister for the Environment Koen Van den Heuvel / Didier Detollenaere, acting governor of the province of East Flanders / Mathias De Clercq, maire of Ghent / Manfred Van Vlierberghe CEO ArcelorMittal Belgium

Climate and energy

Climate policy

For the Belgian Steel Federation (GSV), the transition to a low-CO₂ steel industry has been a crucial topic for a long time. After cooperating last year on a climate study published by the Flemish Environment Department, the Belgian Steel Federation once again collaborated with similar initiatives in 2019. The Federation contributed to the 'Context analysis and roadmap study – Flemish industry carbon circular and low-CO₂' study conducted by Deloitte on behalf of VLAIO and will continue to do so in 2020.

2019 was also an important year for European climate policy. At the end of the year, the new European Commission launched its so-called 'Green Deal', which aims to make Europe the first climate neutral continent in the world by 2050. The Belgian steel industry is well prepared to combat global warming, provided that the necessary financial resources and an adequate regulatory framework are in place. As far as the latter is concerned, the Belgian Steel Federation is advocating the introduction of a so-called 'Carbon Border Adjustment Mechanism'. Foreign steel producers, unlike European companies, do not always face the same investments and costs associated with greener steel production. In order to safeguard a level playing field and the competitiveness of the Belgian steel industry, which is making enormous efforts to produce greener steel, it is crucial to take necessary measures, such as the introduction of a Carbon Border Adjustment Mechanism. This would be a tax levied at the EU's external borders on imported steel, based on the CO₂ cost that EU companies have to bear. The European Commission is currently investigating such a Carbon Border Adjustment Mechanism as one of the means to deal with potential carbon leakage (the relocation of production and/or consumption to non-European countries).

Energy policy

Although we saw a slight improvement, electricity costs remained a major challenge for the Belgian steel industry in 2019. The latest Deloitte study, commissioned by Febeliec, indicated that electricity costs in Belgium for sectors such as the steel industry were considerably higher than in neighbouring countries. As Deloitte's 2020 study emphasised, Belgian companies suffer from a price handicap that varies between 15% and 29% (depending on the specific characteristics of the company) compared to neighbouring countries. With this in mind, the Belgian Steel Federation continued to advocate the implementation of an energy standard in Belgium in 2019.

The Belgian Steel Federation also continues to plead for increased compensation of indirect carbon leakage costs in Wallonia, as is already the case in Flanders and in neighbouring countries. This higher compensation would make it possible to limit the loss of competitiveness in the face of foreign rivals, but also due to groups' other sites being located in countries or regions that do grant full compensation. Without sufficient indirect compensation, Walloon steel producers will continue to suffer a structural competitive disadvantage.

The Belgian Steel Federation welcomes the extension until 2023 of the current second generation of the so-called 'Accords de Branche', along with corresponding new sectoral objectives. After all, this agreement has already proved its usefulness in the past as an instrument for achieving objectives in the field of energy efficiency, CO₂ efficiency and renewable energy through a bottom-up approach. This extension will allow the Federation, together with Walloon authorities, time to properly reflect on how the third generation of 'Accords de Branche' might look.

Aperam Châtelet 'Energy Challenge' hunting for energy savings

The Châtelet contest was launched in March 2019 as a way of gathering ideas to reduce energy consumption and, ultimately, energy bills. Employees were asked to share their ideas, from the stimulation of behavioural changes, to technical investments. At the end of the year, the project unveiled 86 proposals, with a potential annual saving of half a million euros. A monthly committee examined each submitted idea, focusing on those that could be implemented via behavioural adjustments and technical investments. The entire company was invited to contribute – not just the engineers!

Among the solutions suggested by the employees, one idea dealt with compressed air. The proposal introduced the use of portable sound cameras for a more efficient detection of leakages (see picture).

The Challenge is still ongoing and, combined with regular communication initiatives, continues to stimulate motivation.





Centre for Research in Metallurgy

www.crmgroup.be

As independent, collective not-for-profit research organisation CRM continues, with its longstanding expertise, to offer to the metallurgical sector its innovative and industrial solutions for process, products as well as applications. In parallel it has further developed its vision for the future by obtaining know how, acquiring world-class equipment and bringing together transversal teams to be able to further address emerging industrial and societal challenges related to climate change, protection of the environment and the digital and energy transformation.

As a first example can be mentioned the use of the pilot facilities of the energy transition platform, including the pyrolysis platform, the HUGE facility, the TGA and the fuel analysis equipment for the study of the torrefaction or pyrolysis of CO₂-neutral or spent carbon resources, such as forestry

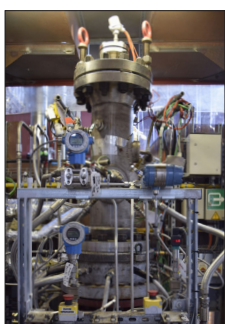
biomass, wood recovered from construction, agricultural residues or societal waste streams to replace the fossil carbon by CO₂-neutral carbon.

A second example concerns the pilot thermal conditioning furnace for the study of the dezincing of scrap in order to allow a better recycling of scraps or the pre-treatment - at high temperature and under vacuum - of electronic waste and hazardous materials to enhance their recyclability.

And finally, the acquisition and the use of a unique Hybrid Manufacturing unit including a 6-axis robot on which various 3D printing direct energy deposition heads (laser + powder, laser + wire and wire arc) can be mounted for the production or repair of XL parts for the metallurgical industry and many other sectors.



HUGE pilot facility



Thermal preconditioning furnace



HYMAX Hybrid Manufacturing for XL applications



Steel promotion, information - Infosteel

www.infosteel.be

As the information and promotion centre for the steel construction sector, Infosteel's work focuses on two major areas: on the one hand, promotion and information for contractors and architects, and on the other hand, information for the steel construction sector. These two axes are intended to optimize steel applications in the construction sector, both in terms of volume and quality.

The event at the renovated AfricaMuseum in Tervuren combined architectural experience with networking. Some site visits (Train station in Mechelen, Theunis Bridges Antwerp) highlighted both the practical and technical aspects of steel construction. Specialized training in the steel field continued with a series of courses : *Steel knowledge*, *Corrosion Protection*, *Fatigue Design* and *Fire Design*.

Digital communication (the website, Newsletter and social media such as Facebook, twitter, linkedin and instagram) remains an essential tool for disseminating information via a series of

examples of steel achievements and a very broad technical information. In addition, 4 editions of the magazine *info_steel* (online and printed) have been published. Cooperation with our sister organizations has been maintained. Thus, we worked together with 'Bouwen met Staal' (the Netherlands) in order to write the manual *Structural Basics*.

The reactivation of the *Lexicon steel* in cooperation with ECCS is one of the outsiders of our activities. The initial CD version was converted into an online tool with 11 languages and 4.000 words.

This year, the classic pairing – the Steel Construction Competition and the Steel Construction Day – in Luxembourg has been successfully transformed into an event combining a visit of the nominated projects, a jury, the awarding of prizes and networking on the same day.

Finally, an innovative market study has been carried out, the results of which will be put into practice in 2020.



Publication of 4 magazines (online and printed) with many steel projects



Event at the renovated AfricaMuseum : Architecture & Networking



Innovative market study



Belgian Steel Federation

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GSV is the professional organization representing the Belgian steel industry

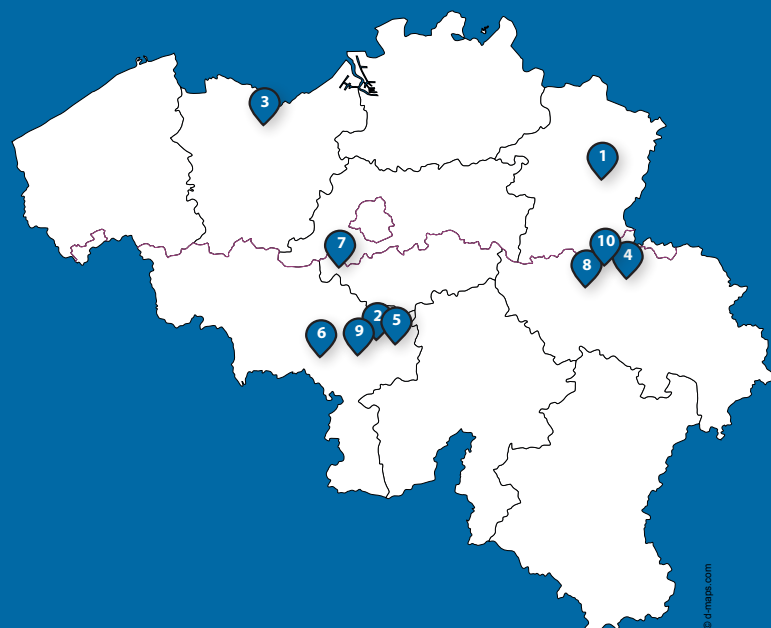
Management Board *(on 31.12.2019)*

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Vice-Chairman	Carlo MORETTIN	General Manager Châtelet Plant, APERAM CHÂTELET
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	Wim VAN GERVEN	Vice President Strategic Projects, ARCELORMITTAL SA

GSV management

Director General Philippe COIGNÉ

Members *(on 31.12.2019)*



1. Aperam Genk - www.aperam.com
2. Aperam Châtelet - www.aperam.com
3. ArcelorMittal Gent - <https://belgium.arcelormittal.com>
4. ArcelorMittal Liège - <https://belgium.arcelormittal.com>
5. Industeel Belgium - <https://industeel.arcelormittal.com>



6. NLMK La Louvière - www.eu.nlmk.com
7. NLMK Clabecq - www.eu.nlmk.com



8. Segal (Tata Steel)
www.segal.be



9. Thy-Marcinelle (Group Riva)
www.thy-marcinelle.com



10. Liberty Liège-Dudange
www.libertyliegedudange.be



New member: Liberty Liège-Dudange

Following the acquisition by Liberty Steel of a number of ArcelorMittal's European sites, the Belgian Steel Federation welcomed Liberty Liège-Dudange as a new member on 1 July 2019. The production lines are situated in the Liège basin and represent some 740 direct jobs.