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EUROMETAL RESEARCH REPORT JANUARY 2012

STEEL BUSINESS MODELS AFTER THE CRUNCH:

WINNERS, SURVIVORS & LOSERS



WORLD AND EU STEEL MARKETS

THE GEOGRAPHY OF WINNERS, SURVIVORS AND LOSERS



IN 2011, GLOBAL APPARENT STEEL CONSUMPTION (1 400 MT) AND GLOBAL STEEL PRODUCTION (1 530 MT) WILL BE RATHER FAIRLY BALANCED. BUT THIS APPARENT BALANCE IS HIDING SOME SIGNIFICANT IMBALANCES IN REGIONAL STEEL MARKETS

**2011 APPARENT STEEL CONSUMPTION ESTIMATE
YEAR 2011 / YEAR 2010**

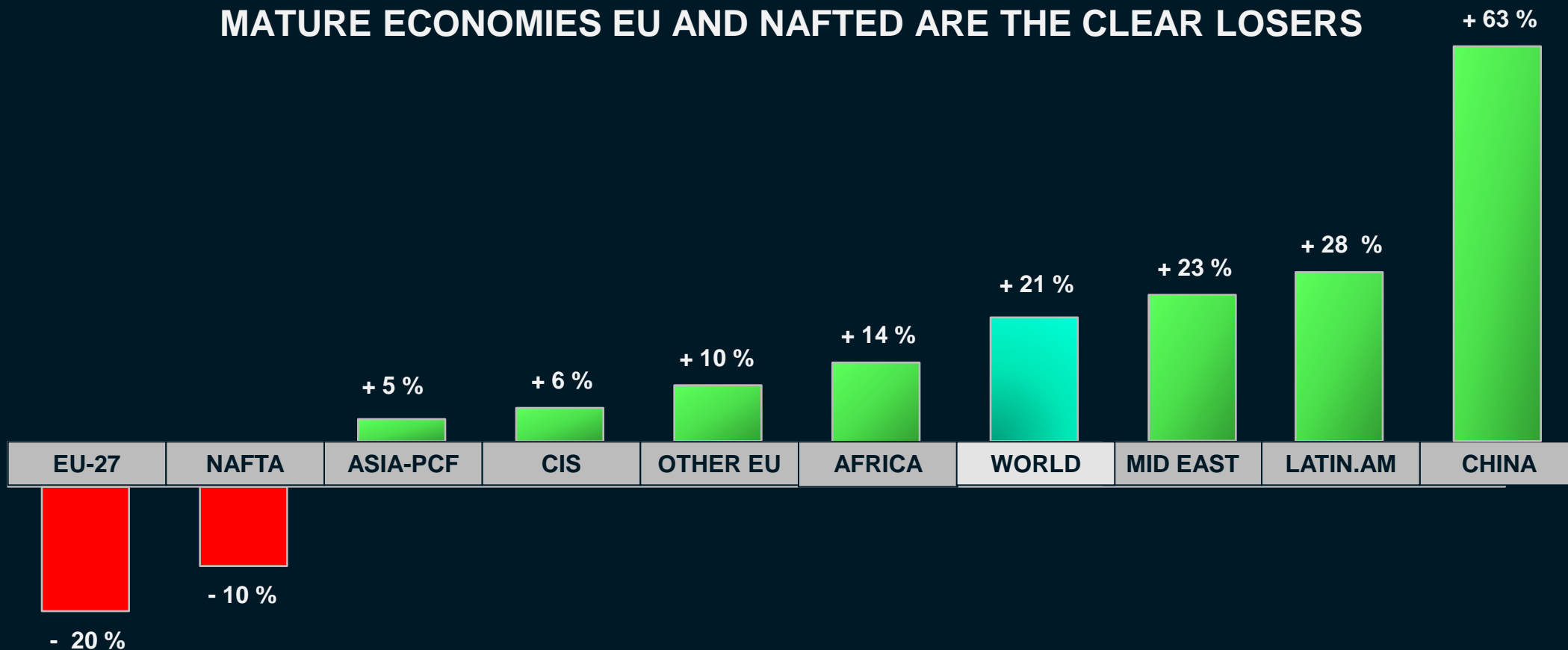
EU 27	+ 7,0 %
CIS	+ 14,4 %
OTHER EUROPE	+ 11,3 %
NAFTA	+ 9,0 %
LATIN AMERICA	+ 4,7 %
AFRICA	-8,9 %
MIDDLE EAST	+ 5,9 %
ASIA & OCEANIA	+ 6,2 %
OF WHICH:CHINA	+ 7,5 %
WORLD	+ 6,5 %

**2011 STEEL PRODUCTION
YEAR 2011 / YEAR 2010**

EU 27	+ 2,8 %
CIS	+ 4,0 %
OTHER EUROPE	+ 17,0 %
NAFTA	+ 6,8 %
LATIN AMERICA	+ 10,2 %
AFRICA	- 13,8 %
MIDDLE EAST	+ 6,9 %
ASIA & OCEANIA	+ 7,8 %
OF WHICH:CHINA	+ 8,9 %
WORLD:	+ 7,4 %



**WORLDSTEEL FORECAST: BETWEEN 2007 AND 2012 AND REGARDING
APPARENT STEEL CONSUMPTION, CHINA, LATIN AMERICA AND THE MIDDLE EAST
ARE THE UNCONTESTED WINNERS
MATURE ECONOMIES EU AND NAFTA ARE THE CLEAR LOSERS**

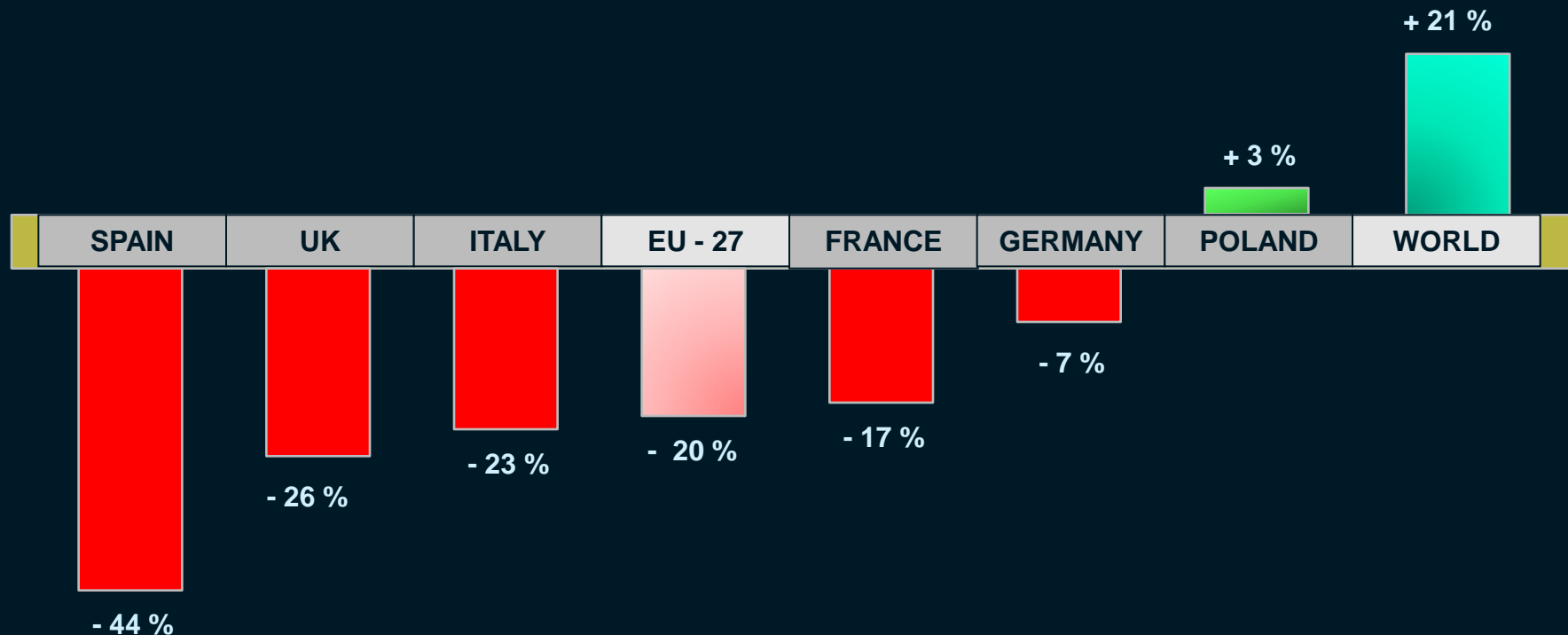


2012 APPARENT STEEL USE, FINISHED PRODUCTS AS COMPARED TO HIGH CYCLE 2007, IN %



**IN EU THERE IS NO MORE A WINNING MARKET
BETWEEN 2007 AND 2012, ONLY POLISH STEEL CONSUMPTION IS EXPECTED TO
COMPLETELY RECOVER FROM LAST YEARS CRISIS.
APPARENT STEEL CONSUMPTION LOSSES ARE STAGGERING IN MAIN EU MARKETS
SPAIN, UK AND ITALY**

2012 APPARENT STEEL USE, FINISHED PRODUCTS AS COMPARED TO HIGH CYCLE 2007, IN %





**EU STEEL DISTRIBUTION BUSINESS MODELS AFTER THE
CRUNCH:**

**NO WINNERS.
ONLY CONVALESCENTS AND LOSERS**



BASED ON PRODUCT AND SERVICE OFFER, WE MAY SEE IN EU STEEL DISTRIBUTION ABOUT 7 MAIN TYPICAL BUSINESS MODELS

7 TYPICAL BUSINESS MODELS IN STEEL DISTRIBUTION:

BEAM & PROFILE CENTERS

REINFORCING STEEL CENTERS

PLATE PROCESSOR & STOCKIST

STRIP MILL PRODUCTS SERVICE CENTER

STAINLESS STEEL SERVICE CENTER

HIGH CARBON & SPECIAL STEELS STOCKIST

DISTRIBUTION OF TUBULAR PRODUCTS



BASED ON PRODUCT AND SERVICE OFFER, WE MAY SEE IN EU STEEL DISTRIBUTION ABOUT SEVEN MAIN TYPICAL BUSINESS MODELS

MAIN CHARACTERISTICS OF THE SEVEN BUSINESS MODELS OF EU STEEL DISTRIBUTION

BUSINESS MODELS	PRODUCT & SERVICE OFFER	END USE CUSTOMER BASE
BEAM & PROFILE CENTER : STOCKING AND PROCESSING	BEAMS & PROFILES: HOLLOW SECTIONS, ANGLES STOCKING & PROCESSING	BUILDING INDUSTRY MECHANICAL ENGINEERING CIVIL ENGINEERING
PLATE PROCESSING & STOCKING	QUARTO PLATES, HR FLATS, PROFILING AND PROCESSING	SHIPBUILDING, WIND TOWERS, YELLOW GOODS, OIL & GAS MECHANICAL ENGINEERING
REINFORCING STEEL CENTER	REBAR PROCESSING CUT-TO- LENGTH,REBAR AND MESH BENDING AND FABRICATING	BUILDING CIVIL ENGINEERING
FLAT STEEL SERVICE CENTER	STRIP MILL PRODUCTS PROCESSING: CUTTING, SLITTING, BLANKING	AUTOMOTIVE SUPPLIERS WHITE GOODS, GENERAL INDUSTRY,



BASED ON PRODUCT AND SERVICE OFFER, WE MAY SEE IN EU STEEL DISTRIBUTION ABOUT SEVEN MAIN TYPICAL BUSINESS MODELS

MAIN CHARACTERISTICS OF THE SEVEN BUSINESS MODELS OF EU STEEL DISTRIBUTION

BUSINESS MODELS

PRODUCT & SERVICE OFFER

END USE CUSTOMER BASE

**DISTRIBUTION OF
TUBULAR PRODUCTS**

**WELDED TUBES, SEAMLESS TUBES,
FITTINGS: STOCKING AND
PROCESSING**

**BUILDING INDUSTRY
MECHANICAL ENGINEERING**

**HIGH CARBON &
SPECIAL STEELS
STOCKIST**

**HIGH CARBON STEEL
SPECIAL & ALLOY STEEL
WITH CORRESPONDING
PROCESSING**

**MECHANICAL INDUSTRY,
AUTOMOTIVE
CHEMICAL INDUSTRY
METALWARE**

**STAINLESS STEEL
SERVICE CENTER**

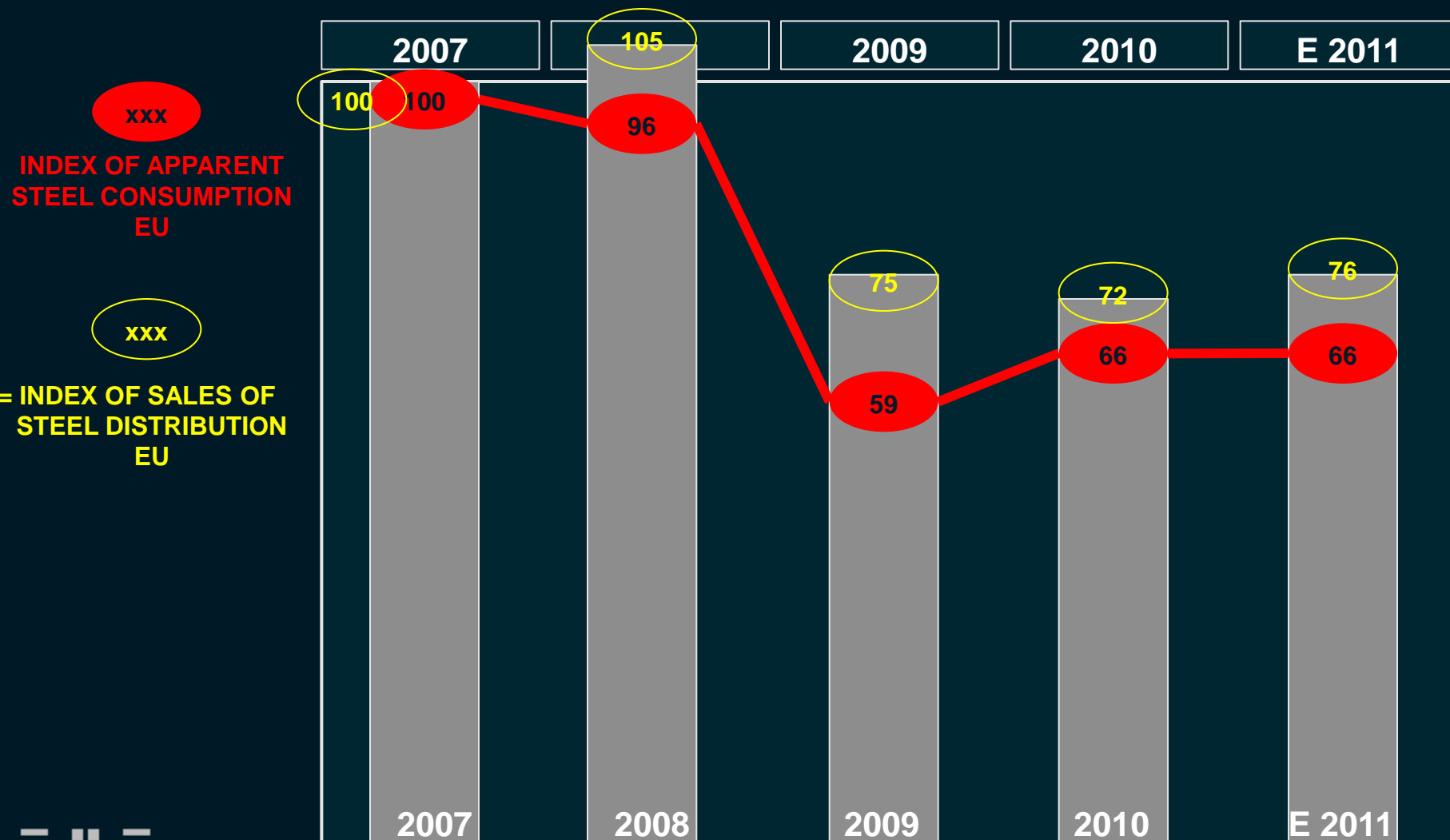
**LONG STAINLESS, FLAT STAINLESS
WITH CUTTING, SLITTING,
SURFACE TREATMENT**

**CHEMICAL INDUSTRY
METALWARE
GENERAL INDUSTRY
AGRO- AND FOOD BUSINESS**



BUSINESS MODEL: BEAM & PROFILE CENTER

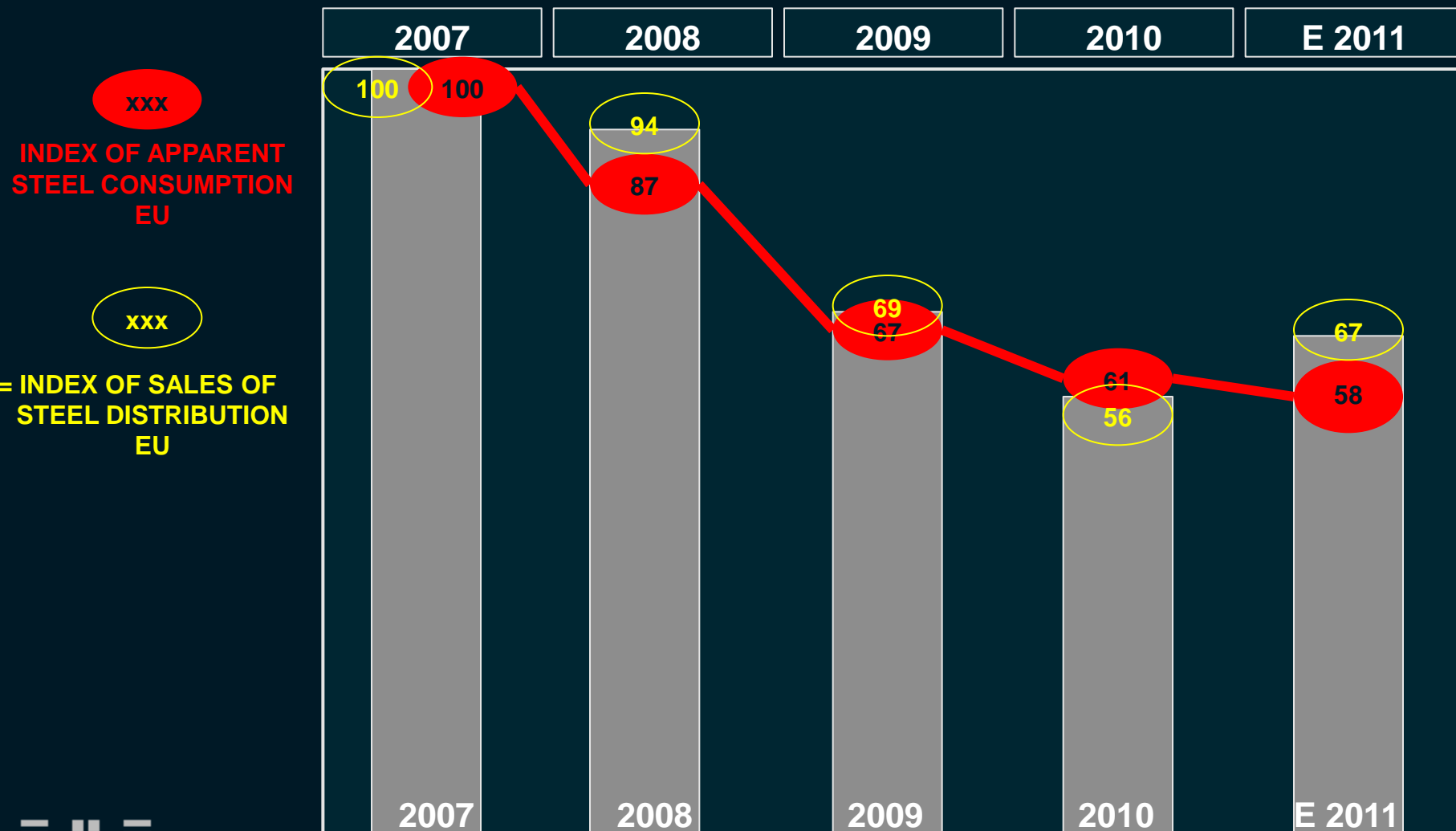
THE STRUCTURAL DOWN IN THE EU BEAM CENTER BUSINESS MODEL IS CLEARLY CONFIRMED BY EU APPARENT CONSUMPTION IN BEAMS WHICH DOWNED BY – 34 % DURING THE LAST 2 YEARS





BUSINESS MODEL: REINFORCING STEEL CENTER

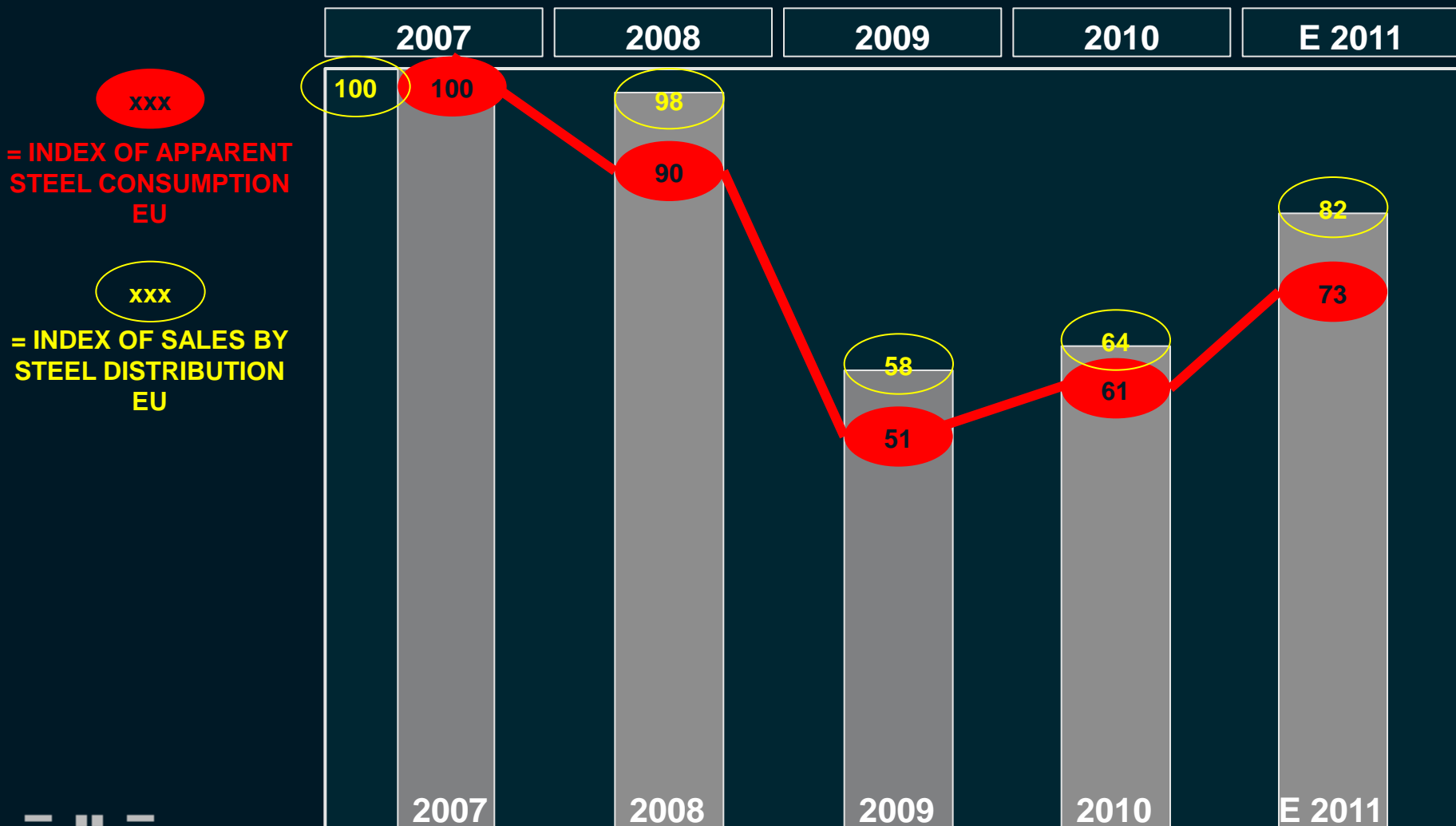
THE STRUCTURAL DOWN IN THE EU REINFORCING STEEL BUSINESS MODEL LEVELS AT -33 %
APPARENT REBAR CONSUMPTION DIVED EVEN BY -40 % COMPARED TO 2007





BUSINESS MODEL: PLATE STOCKIST & PROCESSOR

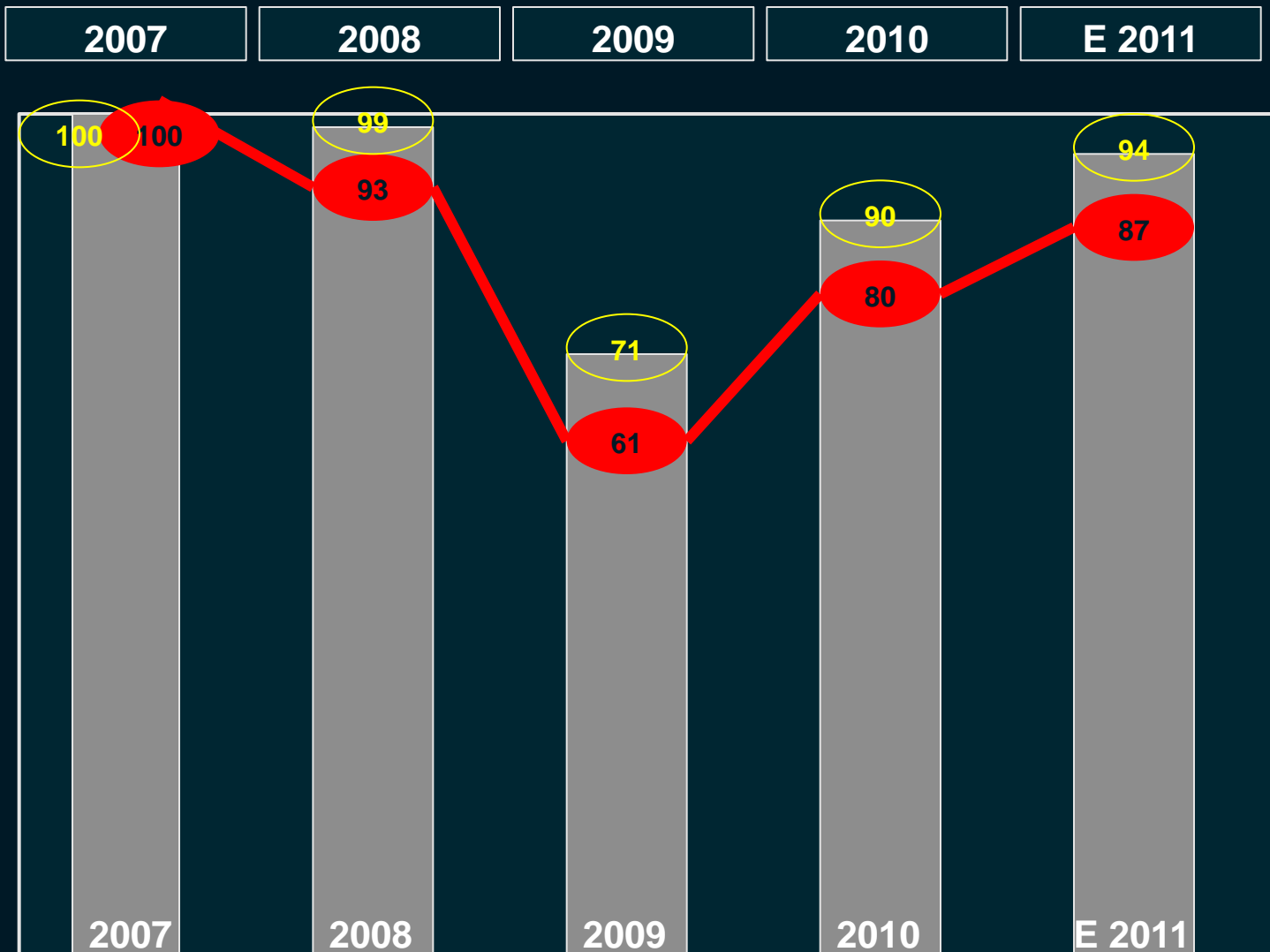
OVER THE LAST THREE YEARS PLATE DISTRIBUTION BUSINESS MODEL DID OUTPERFORM THE RECOVERY TREND OF APPARENT STEEL CONSUMPTION IMPROVING BY THE WAY ITS POSITION IN MARKET SUPPLY





BUSINESS MODEL: STRIP MILL PRODUCTS SSC

THE EU STRIP MILL PRODUCTS SSC BUSINESS DID ALMOST RECOVER THE LEVEL OF 2007, RECOVERING FAR STRONGER THAN EU SMP APPARENT CONSUMPTION



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= INDEX OF APPARENT
STEEL CONSUMPTION
EU

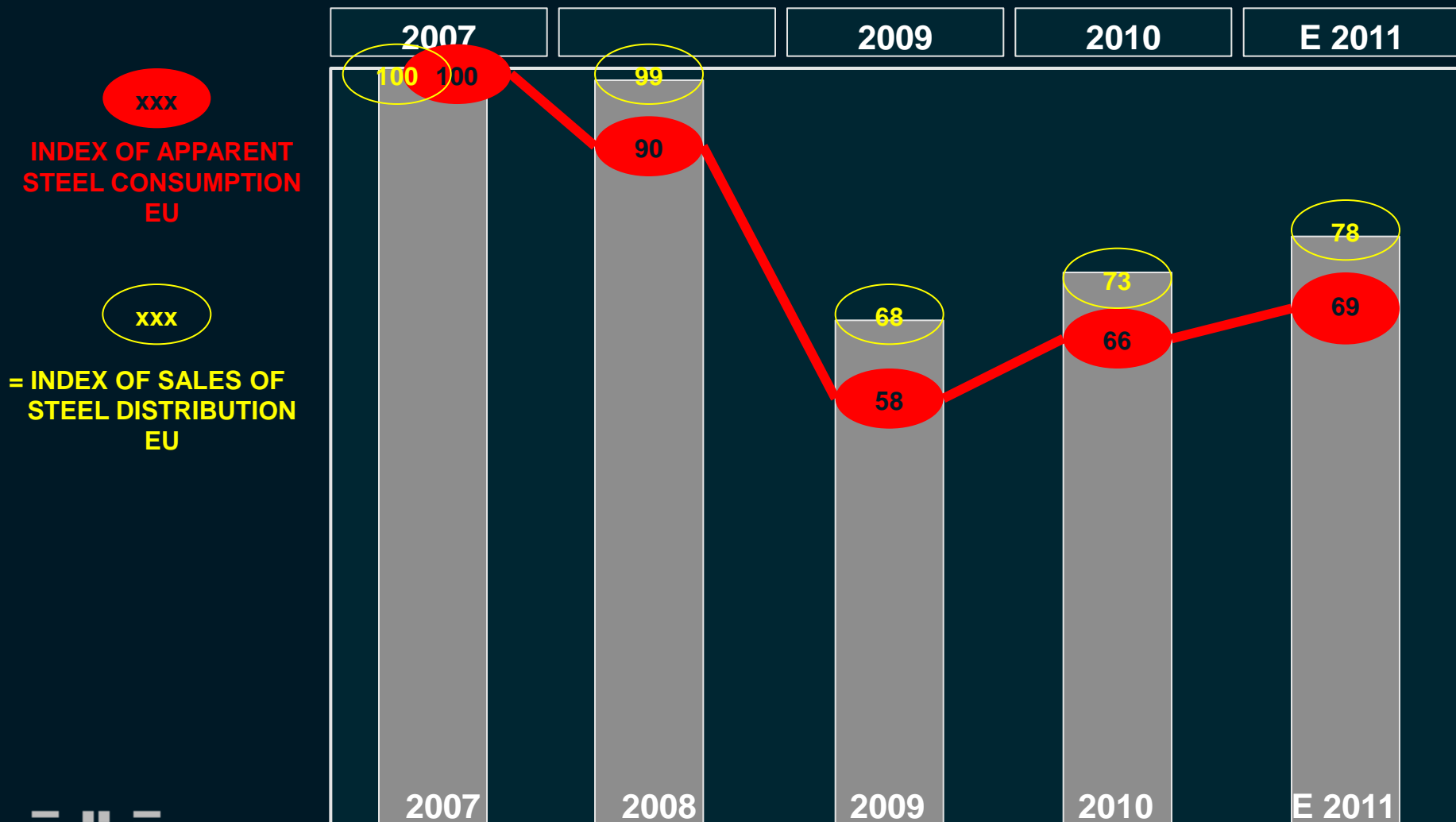
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= INDEX OF SALES OF
STEEL DISTRIBUTION
EU



BUSINESS MODEL: DISTRIBUTION OF TUBULAR PRODUCTS

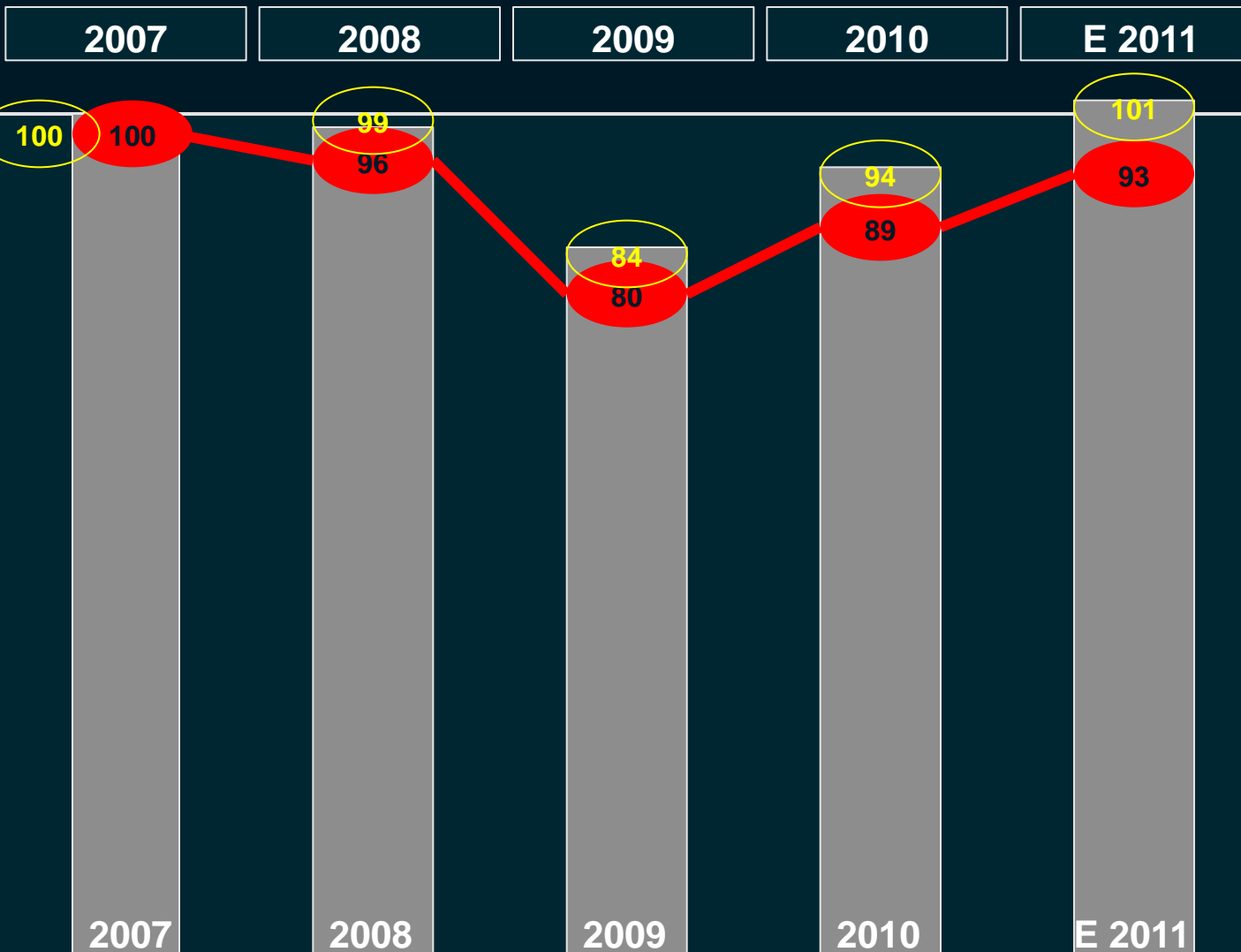
AFTER THE CRUNCH, EU TUBES DISTRIBUTION DID BETTER PERFORM THAN APPARENT TUBES CONSUMPTION, GAINING MARKET SHARES COMPARED TO DIRECT MILL SALES TO END USERS





BUSINESS MODEL: STAINLESS STEEL SERVICE CENTER

THE STAINLESS SERVICE CENTER MODEL SURVIVED THE CRUNCH WITHOUT ANY REAL SCRATCH,
....RECOVERING EVEN STRONGER THAN STAINLESS STEEL CONSUMPTION



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= INDEX OF APPARENT
STEEL CONSUMPTION
EU

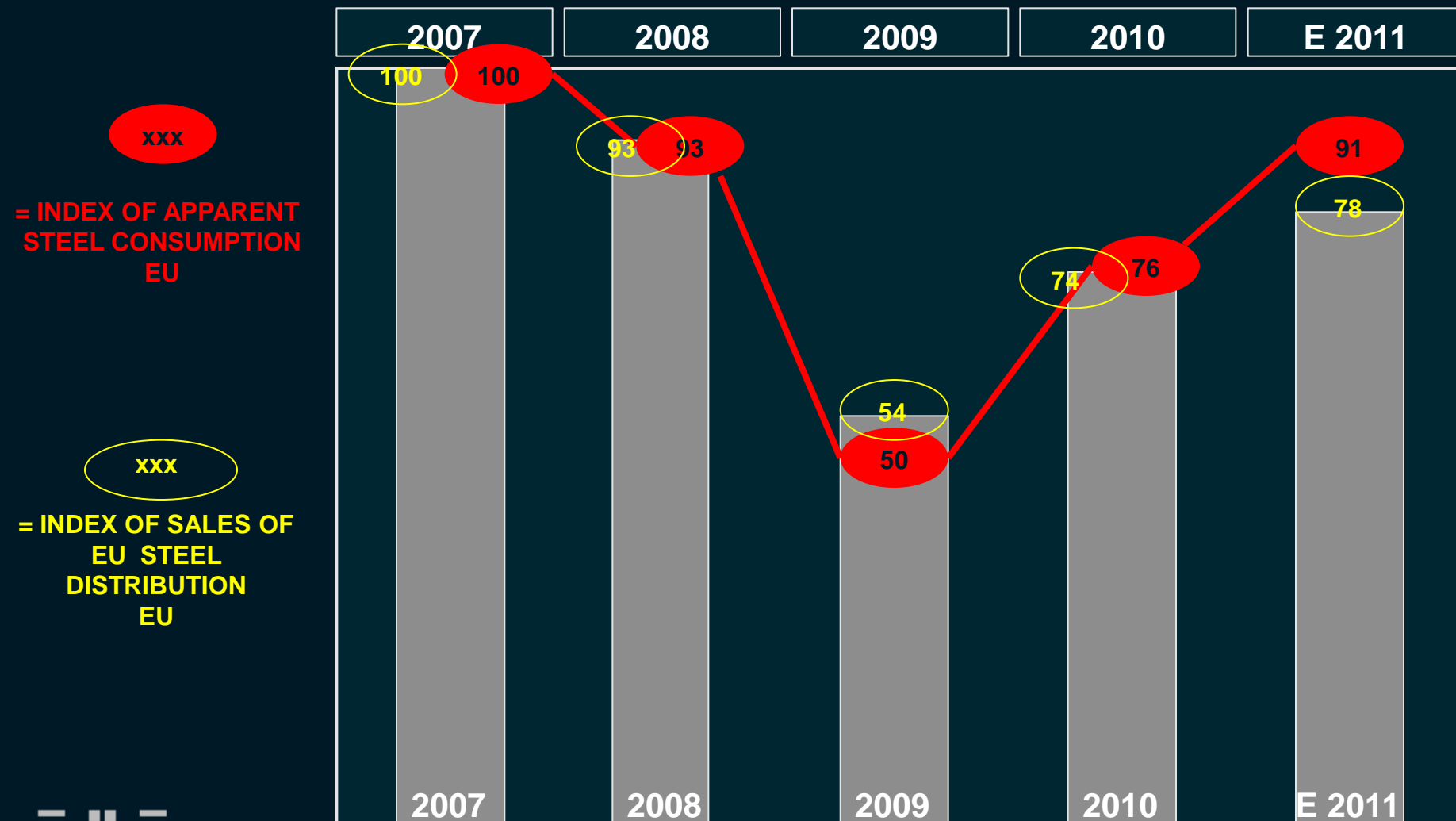
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STEEL DISTRIBUTION
EU



BUSINESS MODEL: HIGH CARBON & SPECIAL STEEL STOCKIST

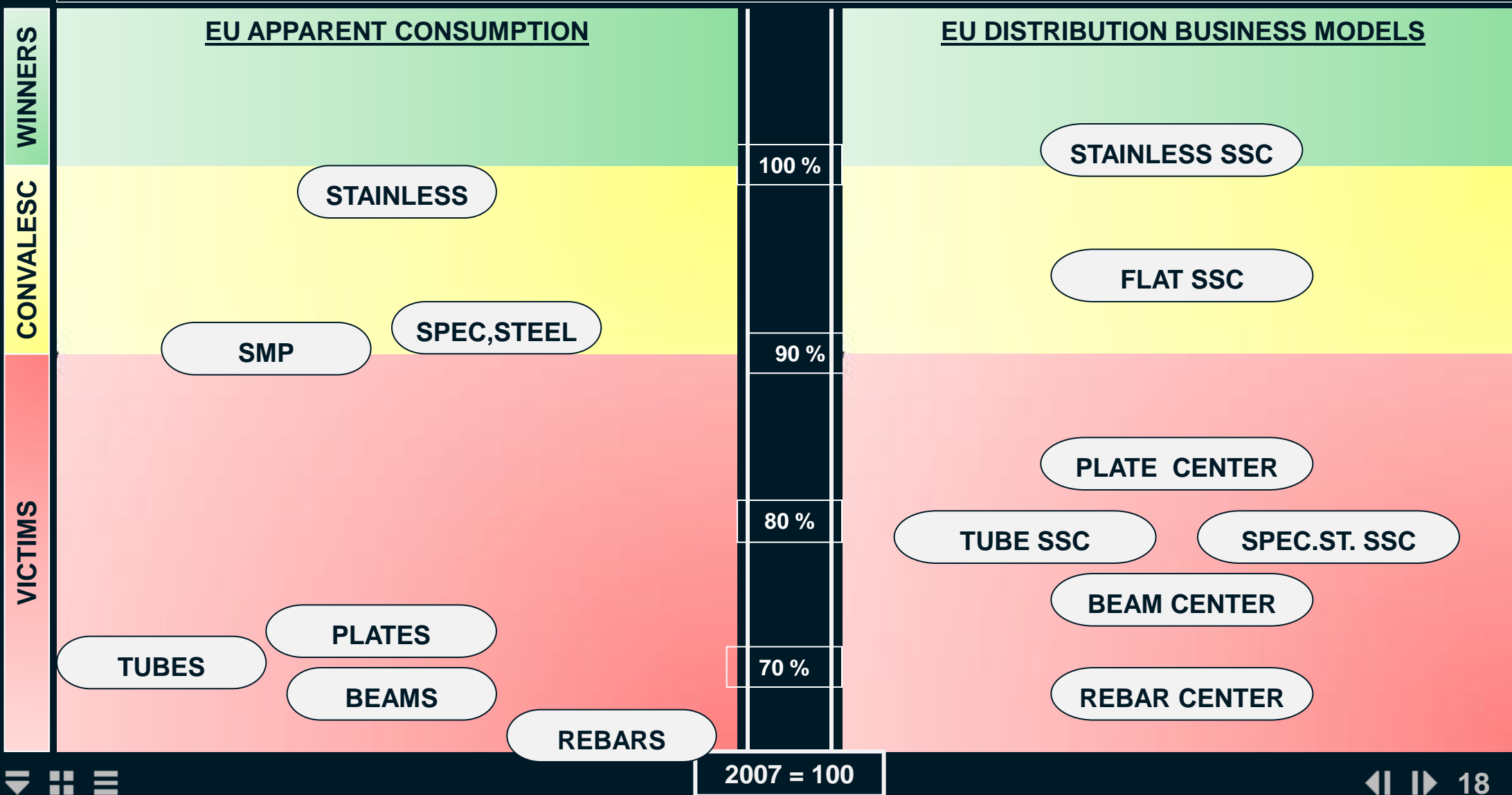
SLOW RECOVERY OF STEEL DISTRIBUTION SALES CONTRAST WITH STRONG RECOVERY OF STEEL CONSUMPTION, INDICATING A PROBABLE RESTOCKING AND STRONGER DIRECT MILL SALES





THE SCOREBOARD OF THE CRUNCH: WINNERS, CONVALESCENTS, VICTIMS

2011 SALES AS COMPARED TO THE HIGH CYCLE YEAR 2007 IN EU-27



DISCLAIMER

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