

GSV

Belgian Steel Federation

ANNUAL REPORT 2010



GSV member of





The year 2010, and more specifically its first half, is marked by an accelerated recovery of the European economy, continuing an upward trend that started mid-2009. The recovery is a result from the financial systems' stabilization, the powerful stimulus programs in the EU and the resumption of world trade.

The rebound of the industrial production and the ensuing growth of the economy is however slower and more uneven in the OECD countries than in the emerging economies as China and India where activity levels have already surpassed pre-crisis figures.

It is also noteworthy that countries with a strong industrial base such as Germany climb out of the recession faster than others. Therefore, it is encouraging to observe that the European Union, under the Belgian Presidency, has placed the industry at the heart of its 2020 strategy.

Pushed by the improvement of the global industry, world steel output as well began a recovery in 2010. The revival is initially driven by the strong demand in Asia and by customers' restocking in our region. With a global production volume of 1.4 billion tons, the year 2010 finally sets a new record.

However, the particularly high growth rates in Belgium, EU27, U.S. and Japan have to be seen in relation to the major setbacks suffered in 2009.

The mutations of the economic context in which the steel industry operates are becoming even more intensive since the crisis:

- 1) supplies of raw materials and energy have become a major issue;
- 2) the activity rate, particularly the Asian one, has a decisive influence on trade balances of steel and steel products;
- 3) advancing globalization requires more competitiveness and a level playing field;
- 4) the volatile economy and the ever changing market conditions call for an increased flexibility of labour and the production tools' management.

Raw material suppliers have introduced short-term contracts in replacement of the traditional annual supply commitments. This has a serious impact on the trade relations between steel producers and their customers.

In a spirit of sustainable partnership and the optimization of customer service, Belgian steelmakers pay particular attention to intensifying cooperation contacts with their customers.

The development of new steel grades as well as new innovative designs fit into this approach.

By doing so, the steel industry makes a tangible contribution to reducing the environmental footprint of steel users and processors.

Moreover, the ecological contribution of steel to the products' life cycle is doubled as scrap can be recycled at the end-of-life and serve as secondary raw material.

Taking into account the double contribution of steel, its perception should undoubtedly be one of a sustainable material.

As Europe continues to claim leadership in climate policy, its leaders should ensure that other concerned parties and countries follow suit, particularly those whose production capacities are growing, and this for the sake of efficiency.

In a context which is increasingly complex, interdependent, competitive, volatile and subject to increasing inflationary pressures, two concerns predominate: one related to competitiveness as a prerequisite for investment, and one on the required flexibility crucial for quick adaptation to a changing market.

Competitiveness and flexibility are two major themes of the current economic process. They are particularly relevant in Belgium because of the specificity of our market and the cost structure of our businesses.

Safety at work is another priority to the Belgian steel enterprises. With a view of realizing a true culture of security, they are involved in an active policy of safety at work and safety on the road to and from the workplace.

Better prospects for our steel companies are pursued through an objective study of the factors and mechanisms accelerating inflation, further pursuit of value-added products optimization, production alignment to the vicissitudes of the steel market and a maintained and constructive social dialogue.

To maximize service delivery to their members and in line with the ongoing restructuring of the corporate landscape, the Belgian Steel Federation joined hands with the Federation of Glass Manufacturers (FIV-VGI) and the Federation of Paper and Board Converting Industries (FETRA). In the interest of their members and since January 2010, they pool their expertise in the platform "inDUFed - Sustainable Goods" reflecting the affinity to renewable and recyclable goods and materials, something that all inDUFed members have in common.

Robrecht Himpe
Chairman

Social Affairs



Change: adapting to changes and preparing for the future

Restructuring is not a new phenomenon. However, its pace has accelerated and its forms become more diversified. Globalization, increasing international competition, technological development and environmental concerns are the main amplifying factors.

Against the rapidly evolving context and the need to ensure adequate preparation for change, the managements of steel companies practice an active social dialogue that takes into due consideration the concerns of all stakeholders, and this with a view of reaching solutions that balance the respective interests.

The development of preventive strategies with regards to the change process, taking on board all its implications, will avert that restructuring become synonymous with social decay and loss of economic substance but rather enhance the competitiveness of companies and the employability of workers, including through training programs.



Training: springboard for the future

Training is a key priority for companies in the steel sector. Throughout 2010, they have spent over 360.000 hours in their staff's skills acquisition and improvement. These training hours are allocated over all categories of employees.

This important effort is the concrete expression of the willingness of firms to respond adequately to several phenomena, including the increasing staff rotation, the recurrent shortage of skilled labor, the introduction of new techniques, the prevention of occupational hazards and the improving conditions for the execution of tasks.

In a rapidly changing socio-economic context, the constant acquisition of new skills and appropriate attitudes strengthens employability, mobility, health and safety of workers.



Health and Safety: a style of behaving requiring a shared vigilance

Health and safety at work covers many aspects that must be continuously analyzed and evaluated to prevent the settling of a form of negligence in daily activities. Based on this concern and on the fact that procedures, technical interventions, media campaigns and even profit sharing formulas are insufficient for the safety reflex to be integrated into daily behavior, the Belgian steel companies operated in a pro-active fashion and extended the safety formation with an "on the spot" coaching program.

A lot of energy is invested in transposing the security policy into a true safety culture, using performance indicators such as

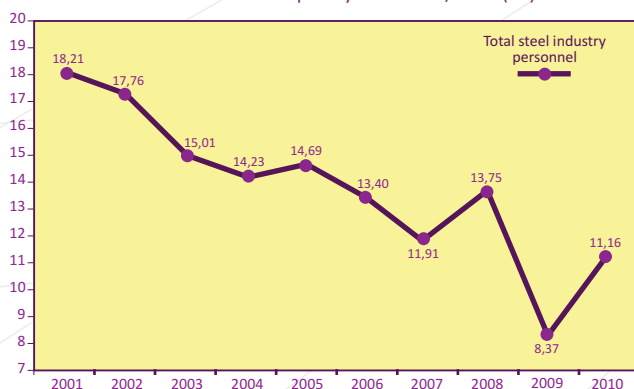
- **the frequency rate** *[number of accidents x 1.000.000 / hours of exposure to the risk],*
- **the global gravity rate** *[number of days of temporary incapacity x 1.000 / hours of exposure to the risk].*

These indicators are not only measuring instruments but they also serve to improve incentives.

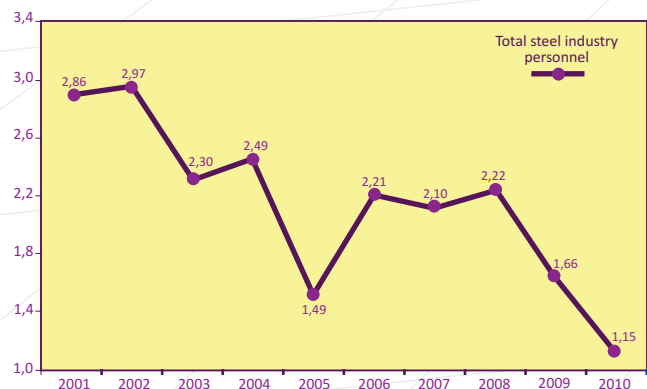
The year 2010 is marked by an increase in occupational accidents. While attributable to the specific situation linked to the start-up of factories, they call for a permanent attention to the security issue.

The security policy that has been implemented for more than ten years, now results in an ever positive evolution, but there is still room left for further improvement.

Evolution of the Frequency Rate 2001/2010 (FR)



Evolution of the Global Gravity Rate 2001/2010 (GGR)



Production – Consumption



New record for world production in 2010

World crude steel production reached 1.414 million tons in 2010 which is a new historical record. This remarkable increase reflects a strong recovery in those countries that had suffered most from the crisis of 2008-2009 such as the EU27, the United States and Japan, and a maintained strong growth in China and India. In the EU27, despite production going up 25% to 172 million tons, output remained far below the 2007 peak of 210 million tons. China continued its march forward and exceeded for the first time the bar of 600 million tons, an increase of almost 400% over one decade. It now lines up four companies in the World-Top 5 and has six companies in the Top 10.



Belgium produced 8 million tons of crude steel in 2010. Despite an impressive year-on-year increase of 41%, this volume remained well below pre-crisis levels, reflecting the fragility of the economic recovery and steel demand. Belgian stainless steel production grew by almost 25% to 1,3 million tons in 2010 and recovered from the previous year's collapse, but remained 200.000 tons below 2006-2007 levels. In 2010, 65% of the total steel production in Belgium was achieved through integrated against 58% a year earlier.

	Mt	2010/2000	2010/2009	World = 100
EU27	172	-10%	25%	12%
United States	81	-21%	39%	6%
Japan	110	3%	25%	8%
Brazil	33	18%	24%	2%
Russia	67	13%	12%	5%
South-Korea	58	36%	20%	4%
India	67	148%	6%	5%
China	627	393%	9%	44%
World	1.414	67%	15%	100%



Gradual recovery of steel consumption in the EU

After a hesitating start in the first quarter, EU steel consumption clearly progressed over the next three quarters, be it without returning to the pre-crisis levels. Consumption improved by more than 4% year-on-year, benefitting from economic recovery and measures implemented by the political authorities. The most dynamic steel consuming sectors include the automotive sector, as well as mechanical engineering, tubes and metal manufacturers. In contrast, the construction and steel structures sector lagged behind and, as they account for almost 40% of steel consumption, this dragged down EU steel demand in 2010. The situation is far from uniform across Europe and some countries are still facing a significant weakness of their economy.

Worldwide steel consumption rose by some 14% in 2010, to 1.275 million tons. Compared to 2007, this represents an increase of nearly 50 million tons being more or less the result of an increase of more than 150 million tons in the BRIC countries and a slump of about 100 million tons in the EU27 and the United States.



Being a net exporter, the EU27 remained an open economic zone

Despite an increasingly negative trade balance with China, Russia and Ukraine, the EU27 remained a net steel exporter in 2010 with an overall positive balance of 4,3 million tons/year. Once again, it is observed that protectionist tendencies build up worldwide, are hindering both access to raw materials or scrap and international trade in certain steel products. The EU for its part remains an open area without customs duties.



Sustainable Development



The life cycle of steel: recurrent recyclability without loss of intrinsic properties

In the framework of the Belgian Presidency of the EU, an informal Council on Sustainable Material Management has been organized in Ghent, in July 2010. At an exposition organized in margin of this Council, the properties of steel as a sustainable material have been highlighted. Once steel is produced, it enters into a closed loop life cycle consisting of its transformation into a consumption or investment product and, at the end of the product life, its recuperation and recycling.



The steel industry contributes to preserving non-renewable natural resources

The recycling of steel scrap enables savings on natural resources, essentially iron ore, and on energy.

Similarly, blast furnace slag and steel slag – material streams that are inevitably generated during the production of steel – can be used in many different applications. They can replace clinker in cement production, and porphyry or other natural stones as construction material in roads, dikes or foundation layers. Rules on the possible applications of iron and steel slag are developed in the Belgian regions. They should facilitate the slag's effective use and avoid being more restrictive as in neighbouring countries.



Climate change: ambitious objectives to be shared globally

The ETS directive, regulating the trading in emission rights from 2013 onwards, provides for free allocations for those industries that are prone to delocalization. However, the allocation rules for the steel sector, based on EU approved benchmarks, do not guarantee the

required level of protection. Hence, the sector is concentrating on the elaboration of a framework that should allow Member States to compensate the impact on the electricity prices caused by carbon trading.

The emission trading system should contribute to realizing the EU goal of limiting the emissions of greenhouse gases. As climate change is a global challenge, the substantial efforts imposed upon the European industries will not be effective as long as other regions and countries in the world do not commit to equivalent objectives.

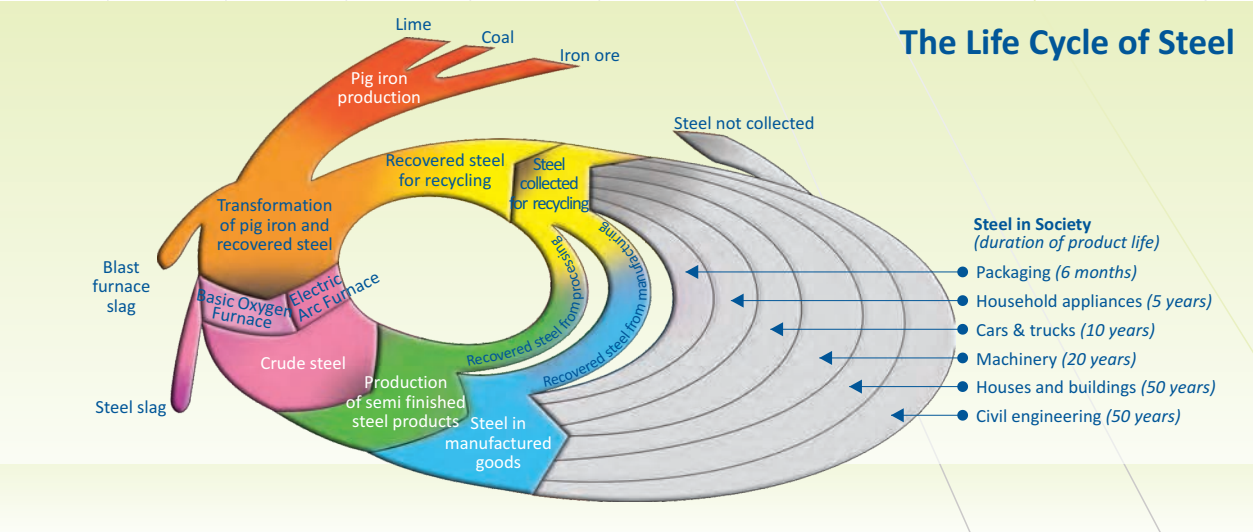


Energy: to limit extra costs

Optimizing energy efficiency goes hand in hand with its competitively priced supply. Current electricity price levels in Belgium are well beyond those in neighbouring countries. This situation is to a great extent due to the extra financial burdens resulting from the promotion of alternative production technologies: windmills, solar cells and biomass.

It is important to revise the green certificate mechanism as well as the finance system of the offshore windmill parks, in order to improve their financial efficiency with reference to their real technological potential. Whatever new mechanism is developed to realize the ambitious goals with regards to renewable energy, it should preserve the industry's competitiveness and include efficient measures that limit the cost impact of electricity for industrial consumers.

With a view of bringing the Belgian price levels at par with those of neighbouring countries, federal and regional authorities should limit the amount of additional costs, taxes and charges that add up to the cost of electricity.



Steel Information and Promotion

www.infosteel.be



Infosteel promotes the rational use of steel in the construction industry in Belgium and the Grand Duchy of Luxembourg. The association has over 600 members, mostly from steel companies, processing companies, construction companies, consulting firms and architecture, training and research institutions as well as students in architecture and engineering.

The 2010 promotion and information campaign contained five pillars:

STEEL CONSTRUCTION DAY 2010 ('JOURNEE CONSTRUCTION ACIER')

- Meeting with 450 professionals in the Aula Magna at Louvain-la-Neuve.
- Organization of 18 parallel seminars on the themes of architecture, sustainability, new technologies, standards, calculating and cold-formed sections.

STEEL CONSTRUCTION CONTEST 2010

- Some 157 realizations have been put in the spotlights
- Out of these, the 29 nominated projects have been spread through the media
- A new 'Sustainable Construction Award' has been presented

STUDENT STEEL TROPHY 2009-2010

- 20 projects of senior students in architecture and engineering
- 9 innovative projects have been crowned

THE MAGAZINE INFO_STEEL

- 15.500 copies in four editions have been distributed
- 2 special editions: '2010 Competition' and 'Sustainable Development'
- 2 thematic editions: facades in steel and passive building
- 4 technical issues: recycling of steel, fire prevention, protection of surface and assemblies.



THE SITE INFOSTEEL.BE

- Record attendance with a monthly average of 17.000 visitors.
- 360 questions dealt with on-line by the Helpdesk, mainly concerning the implementation of steel products and fire protection.

The mission of training and technical skills transfer was realized through the organization of conferences on the theme of fire safety, the signing of an international 'Steel Network Sustainable Construction Charter', the development, along with other European steel promoting organizations, of an image bank depicting 3.000 projects in steel and called 'the European IPO Steel Network' and, finally, through the organization of study days on training and transfer of knowledge.



De Lichtenlijn, Knokke-Heist, Prize winner Cat. D, Ney & Partners - Picture Jean-Luc Deru



Calatrava Valls AGC Glass Europe



Egalaxia & Euro Space Center, Philippe Samyn & Partners, architects & engineers, Picture Marie-Françoise Plissart

Centre for Research in Metallurgy

www.crm-eur.com



- 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 Gent 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).
- In December 2010 CRM combined its activities with the R&D lab ArcelorMittal Liège Research to form "CRM Group" with as main benefits:
 - unique R&D competences, unparalleled 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 30 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 :
 - sustainable production and upstream processes (sintering, recycling and EAF steelmaking), rolling and heat treatment technology, surface engineering as well as advanced materials, solutions and measuring sensors,
 - organic coating technologies, construction solutions and products, as well as technical assistance to steel plants.

- 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 Gent.



Belgian Steel in Figures

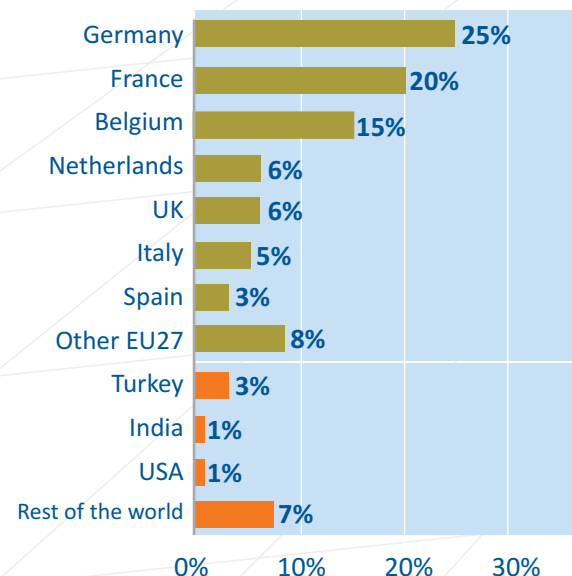
Steel production (in Kt and %)

	2008	2009	2010	2010/09
Crude steel (all steel)	10.673	5.635	7.973	41%
of which <i>Oxygen converter</i>	7.407	3.289	5.177	57%
of which <i>Electric furnace</i>	3.265	2.347	2.796	19%
of which stainless & other alloys	1.471	1.045	1.306	25%
Hot rolled strip	9.980	5.925	8.271	42%
Cold rolled	3.999	3.239	4.721	46%
Coated flat products	4.140	3.054	3.790	24%
Plate	741	402	532	32%
Wire rod	878	723	761	5%

Other key figures of the sector in 2010

	2008	2009	2010e	2010/09
Employment (on 31/12)	16.931	14.472	14.274	-1%
Turnover (M€)	11.700	6.300	8.800	40%
Value added (M€)	1.900	1.500	1.700	13%
Exports (M€)	8.200	4.700	6.150	31%

Subdivision of deliveries in 2010



on 01.05.2011

CHAIRMAN	Robrecht HIMPE	Executive Vice President, Chief Executive Officer Flat Carbon Europe, ARCELORMITTAL SA
VICE-CHAIRMAN	Guy BONTINCK João FELIX DA SILVA	Director Human Resources, ARCELORMITTAL GENT Chief Executive Officer, ARCELORMITTAL LIÈGE
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