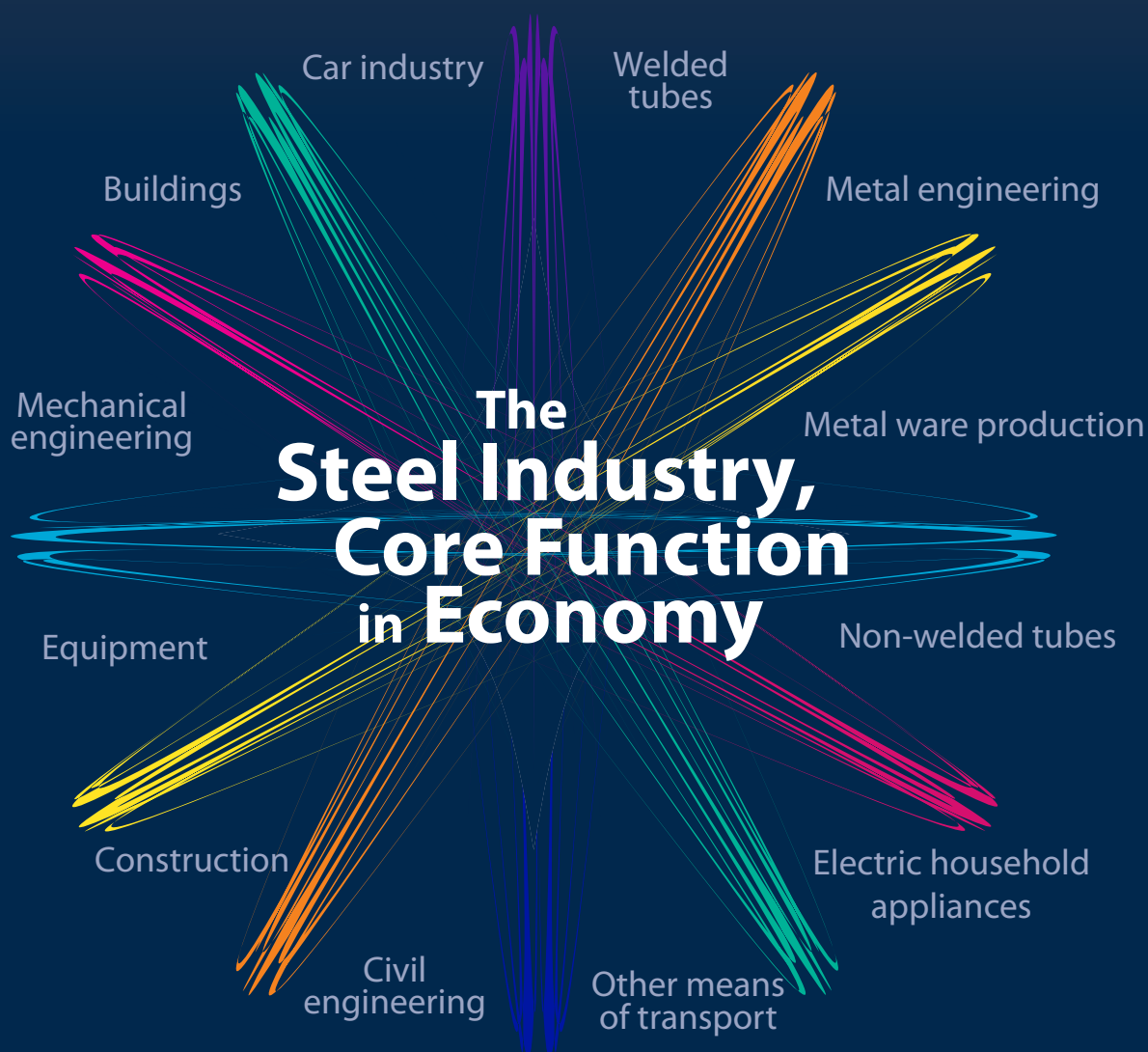




Belgian Steel Federation

# Belgian Steel in 2012

A N N U A L R E P O R T



GSV member of





In 2012, world economy faced major cyclical and structural risks. In the course of the year, those risks gradually declined without actually disappearing. Indicators kept sending alarming signs about the dangers of a deep recession, further financial imbalances and increased trade protectionism.

For the steel industry, 2012 was a very challenging year, especially in the European Union where, after the downturn of 2009, steel consumption was not able to maintain the positive momentum generated in 2010, and intensified in 2011. This decrease is mainly due to different factors: a continued weak growth in the developed economies, a drop in the steel consumption in many manufacturing industries, the withdrawal of some important steel-using industries from EU and the lack of budgetary resources to finance public investments. All these factors contributed to a supply/demand imbalance.

With a domestic demand for 2013-2014 at about 145 million tons, it would be more and more unrealistic to believe that it is possible to reach the 200 million tons consumed in 2007. However, the steel industry remains the foundation on which the structure of the whole EU industry is based. Actually, steel is essential in many activity sectors : building and transport sectors, mechanical engineering, energy equipment. Furthermore, recent scientific studies that were carried out to map the specific characteristics of materials have shown that steel is a flexible, reliable, innovative and environmentally friendly material in its various applications.

Steel production needs a powerful industrial sector. Here too, emerging countries are making intensive efforts in order to develop their own industry, while in the European Union, the industrial base continues to decline dangerously. In this context, the Roundtable on the Future of the European Steel Industry created in September 2012 and involving the European Commission, the Member States, manufacturers and trade unions from the steel sector, has initiated a major action which will result in the publication in June of a European Plan designed to strengthen the European steel industry in a globalized market. The recommendations will focus on :

- 1) the protection of legitimate industrial and commercial interests of the European steel industry against increasing unfair trade practices : restriction on access to raw materials, dumping practices, non-tariff barriers ;
- 2) the analysis of the impact of legislative constraints and EU's policies that disproportionately affect the European steel industry ;
- 3) the increasing R&D aid to develop technologies reinforcing energy efficiency and reducing the consumption of raw materials and carbon emissions ;
- 4) the availability of financial means to help companies to adapt themselves in due time to the inevitable structural changes. This is an essential requirement to maintain the existing activity but it has to be combined with an intensive training program of the staff.

At the end of December 2012, the European Parliament welcomed the initiative of Mr Antonio Tajani, Commissioner for Industry, to convene the Steel Roundtable. Members of the European Parliament recognize that, in the EU, the long-term viability of the steel sector implies that production activities should be carried out on an equal footing with the non-EU competitors.

The European steel sector and the Belgian steel sector in particular are caught in a squeeze between :

on the one hand :

- high and volatile prices of raw materials, especially due to an ever-increasing demand from China ;
- costs related to an ambitious and unilateral climate policy in the EU ;
- excessive surcharges on energy prices in Belgium, which are among the highest in the EU ;
- the wage handicap which requires urgent corrective action ;

and on the other hand,

- low steel prices due to a falling demand which is made even worse by huge production overcapacities ;
- trade tension due to a big discrepancy between the foreseeable demand and the available spare capacities at a global level.

The World Steel Association, or worldsteel, considers that the current overcapacities represent about 500 million tons. This is more than three times the yearly consumption of the EU. Despite such clear evidence, many emerging countries are still developing their own program without any concurrent withdrawal of outdated or unprofitable capacities. Overcapacities affect the performances of the whole sector and weaken even the most efficient producers, particularly during periods of economic slowdowns, and of course during periods of market turnaround.

All regions of the world are affected but not always at the same level or intensity. In the EU and particularly in Belgium, restructuring operations are expensive and follow a time-consuming scheme. With a quick conclusion of the legal procedures which includes an information and consultation mechanism, it is easier to implement the necessary and unavoidable adjustments. Belgian steel companies have to be powerful because they are heavily depending on exports in a steel market which is largely globalized and highly competitive. With a proactive and forward-looking policy, government authorities help the sector to focus on its competitive strengths. Companies have to plan their activities and base their development on three major poles :

- 1) a strategic and commercial positioning to stand out from their competitors ;
- 2) an ongoing improvement of their operational efficiency ;
- 3) increasing efforts to boost research, and product and process innovation.

2013 will also be a challenging year : the demand for steel in the EU is slightly declining. A modest recovery is expected in 2014 in line with the long-awaited economic revival of the EU.

In 2013, the new regulations regarding auctioning of the CO<sub>2</sub> emission allowances will come in force for the period 2013 to 2020. In Belgium, negotiations with the regional authorities to approve and implement voluntary agreements with steel companies are currently being finalized.

2013 will also be a critical year in terms of social challenges; both at interprofessional level, with the harmonization of the status between white and blue collar workers and the necessary reduction of labour costs, and at sectoral level, with the finalization of the restructuring plans. This implies consultation, constructive dialogue and sense of responsibility.

Geert Van Poelvoorde  
Chairman



## Social dialogue

In 2012, many regulations were approved and part of them already came into force so as to carry out the Government statement of December 2011.

The aims pursued by these new legal measures are legitimate (fight against social fraud, fight against unwarranted mechanisms or excessive use of certain social services); however, their adoption often led to additional costs or to an increased administrative burden for our companies.

By way of illustration, the changes implemented to the cyclical unemployment mechanism :

- financial sanction in case of 'excessive resort' to the unemployment regime for economic reasons;
- new administrative requirement of notification to the social authorities of the first actual unemployment day due to market weakness.

These legal requirements put a heavy economic and administrative burden on the shoulders of the companies forced to turn to these measures in order to preserve their employment level during acute and prolonged periods of crisis.

The Government also made the decision to postpone the reinforcement of the access prerequisites to certain prepension regimes (henceforth renamed "Regime of unemployment with company supplement") whereas it imposed, to the employers only, an instant increase (from April 2012 onwards) of the cost of the employers' contributions inherent to this regime.

The Belgian Steel Federation, in close dialogue with the steel companies, has paid throughout 2012 great attention to defending the interests and specific needs of the sector in numerous files dealt with in the various employers' organizations in Belgium.

Within the sector, 2012 has initiated a restructuring movement.

Each of these reorganizations has its own specificities (deepness, length), resulting from factors which are typical for the concerned company or site.

These restructuring programs have been and/or are conducted in accordance with the established rules and habits of social dialogue, a spirit of conciliation and negotiations in pursuit of suitable solutions. All these steps and efforts are essential for the implementation of the industrial reshaping of the involved companies/sites taking into account the major changes on the steel market.



## Training

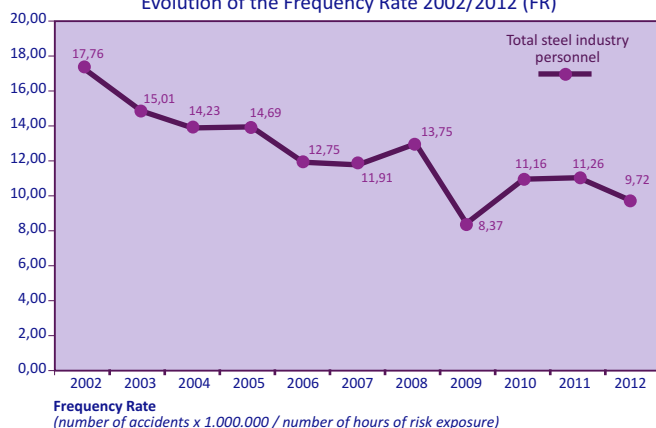
The continuous and growing investment of the steel sector companies in the development of the skills and competences for all categories of employees is essential for maintaining the companies' competitiveness. For this purpose, the steel companies organize training sessions during periods of temporary unemployment.



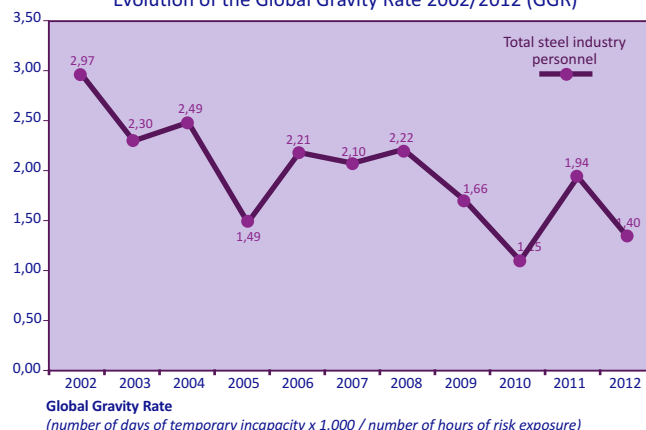
## Health & safety

Preventing accidents on the workplace and optimizing the culture of health and safety at work are key concerns for the steel companies. The involvement of each individual within their perimeter (employees, hierarchy, subcontractors, visitors,...) towards a shared vigilance is absolutely required in order to stick to the safety procedures which have contributed to the gradually improved rates of frequency and global gravity.

Evolution of the Frequency Rate 2002/2012 (FR)



Evolution of the Global Gravity Rate 2002/2012 (GGR)





# production - consumption



## World crude steel production is still growing but at a slower pace

World crude steel production in 2012 amounted to 1.539 million tons setting an all-time record. However, the rate of progression slowed in comparison with the previous years. This is due to production declines in some parts of the world such as EU27 and Latin America.

With 46% of the global production, China is the world's leading producer. But here too, growth slowed down. In terms of demand, it meant a decrease from 8% in 2011 to 1,9% in 2012.

The economic situation in Europe weighs particularly heavily on steel industry. With a production of barely 169 million tons, the decrease from 10 years ago amounts 10%. And of course, the production of 215 million tons in 1980 is no more than a distant memory. Europe faces a shrinking domestic demand while at the same time it is exploding at international level. Its weight in the world decreases from 30% in 1980 to 11% nowadays.

In Belgium, 7,3 million tons crude steel were produced in 2012, a decrease of 5% at one year. The "Stainless steel" component remained unchanged at 1,24 million tons. The breakdown between electric steel plant and integrated steel plant was relatively stable in 2012, a ratio of 64 / 36%.

	Mt	2012/2002	2012/2011	World = 100
China	709	289%	4%	46%
EU27	169	-10%	-5%	11%
Japan	107	0%	0%	7%
USA	89	-3%	3%	6%
India	77	166%	8%	5%
Russia	71	18%	3%	5%
South-Korea	69	53%	1%	5%
World	1.539	70%	1%	100%



## The economic crisis severely affects the demand for steel in EU27

The economic downward trend observed by autumn 2011 was reinforced throughout 2012. The financial crisis and the general lack of industrial and consumer confidence had a significant impact on the evolution of economic activity in general and on the demand for steel in particular. Steel consumption was reduced by more than 9% over the year without any significant improvement expected in the short term. All steel-using sectors are concerned by the crisis. Building, automotive, tubing and metal-working sectors, all knew a significant decline, but yet less important than at the end of 2008-beginning of 2009. Steel consumption in Europe decreased from 200 million tons in 2007 to less than 150 million tons in 2012. In order to find a way out of the crisis, the different stakeholders will have to apply

appropriate measures to adapt themselves to structural changes regarding demand for steel and to overcapacity. EU should also redefine an industrial policy promoting its own position in the world.



## EU27, net exporter again

EU is the most open economic area in the world. But due to the resurgence of protectionist measures and unfair trade practices, it is compelled to reform its trade defence instruments and strengthen its bilateral agreements. The Commission has also implemented retaliatory measures against countries which do not respect WTO agreements. The drop of imports, due mainly to a weak domestic demand, has enabled EU to become a net steel exporter in 2012 again.





# sustainable development



**Steel is the basis of every economic development and contributes to the achievement of a sustainable society**

- The recycling of steel saves primary resources of iron ore and coal and limits CO<sub>2</sub> emissions.
- The new product characteristics and their various applications are contributing to fight climate changes.
- Ongoing efforts to optimize the production process allow to cut down the specific energy consumption by some 30% over the last 30 years.

To go further in that direction, several conditions have to be fulfilled :



**Access to energy at competitive conditions: essential for an industrial revival in the EU**

Energy is an important element of production costs. Actually, significant differentials, unfavourable for Europe, are being observed especially if compared to the United States where the exploitation of shale gas offers a substantial competitive advantage to their industry. The creation of a European energy market is a first step that has to be completed by bringing under control the impact of the EU climate policy on the electricity bill.

Belgium has to reduce additional costs to a level of overcharges in line with the neighbouring countries. The different support systems for green energy have to be based on technical feasibility and cost efficiency and must contain a mechanism limiting their impact on the prices charged.

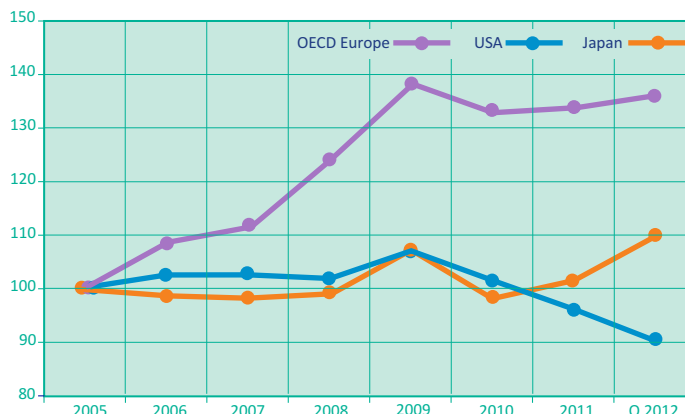
In a context of nuclear phase out, of higher contribution of renewable energies and unstable production, a long-term vision including security of supply is essential.



**The climate challenge is a global issue; a unilateral commitment of Europe is ineffective**

While waiting for a new agreement aiming at the reduction of global emissions of greenhouse gases, the Kyoto Protocol has been extended. As Russia, Canada and Japan have now joined the countries that have refused from the beginning to contribute to the collective efforts (the United States, China, Brazil and other emerging countries), this extension only covers 15% of CO<sub>2</sub> emissions worldwide. The unilateral efforts of Europe

**Comparative evolution gas and electricity price**



will just have a very limited impact on climate changes. On the other hand, they will seriously affect the competitiveness of its industry.

The European emissions trading scheme, that came into force on January 1<sup>st</sup> 2013, contains measures safeguarding competitiveness of the industry in Europe. Those measures have to be fully implemented. The efficiency of the European system relies on its credibility and foreseeability. Any interference – as for example the recent proposal from the Commission to withdraw temporarily (set aside/ backloading) a volume of emission allowances from the EU market in order to increase the price of the CO<sub>2</sub> allowances – is unacceptable.

The steel industry is totally in line with the prospects for a low carbon society. Policies in this matter have to be realistic at technical as well as economic level.



**Mobility coordinated at European level: performance and reliability**

Transport infrastructures have to be adapted in accordance with the development of requirements. Special attention has to be paid to the connections between the sea ports and their hinterland and to transshipment facilities for multimodal transports (rail/road and waterway/road). A solution has also to be found regarding the management of single wagonloads.

Infosteel promotes the qualitative use of steel in the building sector, in Belgium as well as in the Grand Duchy of Luxembourg. The association counts more than 600 members, mainly steel producers, metal-working companies, engineering and architects offices, surface treatment firms, merchants and even technical software developers. About hundred corporations joined the association in 2012, a proof of its attractiveness. Members are listed on the website [www.infosteel.be](http://www.infosteel.be) with reference to their latest achievements.

Infosteel shares its knowledge and expertise through the organization of study days and training courses, through publications and networking, through a helpdesk which is free of charge. The promotion and communication activities of Infosteel are based on four pillars:

## 1) Professional events in the media

- The Steel Construction Day 2012 is the greatest event in the sector, held alternately in Belgium and in the Grand Duchy of Luxembourg, with wide media coverage. This event highlights the advantages and potentials of metallic construction and especially in areas such as building frames and façade elements. More than 470 participants took the opportunity to enlarge their knowledge by visiting the exhibition stands and by attending conferences mainly focused on sustainability and innovation. A total of 18 presentations were made to put forward architectural works, technical achievements and outstanding projects.



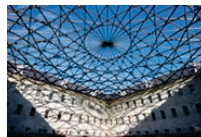
- The Steel Construction Contest 2012 was a big success with 118 projects. 25 nominees were selected by a jury of experts and the 8 prize winners, edition 2012, received wide media attention. Since 2012, the new category "industrial buildings" has been added to the panel.



Renovation house 'Campanules' – Brussels  
© Foto\_Photo: Marc Detiffe

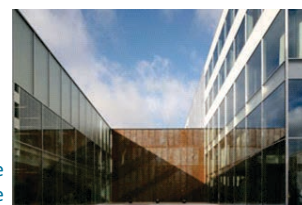


Bridge over the Albert Canal in  
Vroenhoven (Riemst) -  
© Foto\_Photo: J-L Deru (Photo-Daylight)



Glass roof of the Dutch Naval Museum – Amsterdam -  
© Foto\_Photo : J-L Deru (Photo-Daylight)

- Each year, the project visits enable more than 200 professionals to discover innovative steel constructions in the BLEU and abroad.



Metal Structures Centre  
– OCAS Zwijnaarde

## 2) Technical skills transfer

The seminars and training programs focus on three main topics:

- Fire safety
- Sustainable development
- Anti-corrosive protection of steel structures

## 3) The 'European IPO Steel Network'

Infosteel is the founding member of the network for the promotion of steel, which gathers the Centres for Information and Promotion of Steel in Europe (IPO's). Infosteel develops its actions in partnership with an objective : 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 representing the sector.

## 4) Dissemination of information and assistance for design

- Four editions of the magazine 'info\_steel' focused on the advantages and the sustainability of steel constructions as well as on the results of the Steel Construction Contest 2012.
- The website [www.infosteel.be](http://www.infosteel.be), increasingly consulted, attracts more than 20.000 visitors a month.
- The publication of a new book 'Fire Safety' in the collection of steel technical books.
- The Helpdesk offers free of charge assistance ; the team of experts mainly handled inquiries on Eurocodes, fire resistance, sustainable construction, corrosion and a lot of other technical items.





# centre for research in metallurgy

www.crmgroup.be

- CRM, located in Liège and in Gent, is a collective Research Centre for the ferrous and non-ferrous industries, with worldwide activities.
- CRM is ISO 9001 certified and disposes of several unique world-class pilot lines and simulators covering almost the complete "steel process" from sintering of iron ore fines to steel recycling.
- CRM and AC&CS (Advanced Coatings and Construction Solutions) form one single entity "CRM Group" : a true European and world-class R&D player with more than 220 researchers and an annual budget of about 33 Mio EUR financed by contributions from the Active Members (ArcelorMittal and Tata Steel) and the Associate Members as well as by grants from the Belgian Regions and the European Community.
- CRM is also involved with OCAS in the joint-venture MPC (Metal Processing Centre) and is a Partner of MRC (Materials Research Cluster Gent) together with OCAS, SIRRIS, BiL and the University of Gent.
- CRM is active in guidance and technology transfer towards the SME's via its group based in PiMW ("Pôle d'Ingénierie des Matériaux de Wallonie").

- In 2012, CRM reshuffles the two entities CRM and AC&CS around four main poles of competence, namely :
  1. Metal Production & Recycling
  2. Metal Transformation & Properties
  3. Metal Coating & Functionalities
  4. Metal Application & Construction/Solution Design
- Steel has an infinite recycling loop. Its potential for unlimited recyclability gives it a huge advantage in terms of sustainability. As one of the highlights in the 2012 activities, the existing recycling facility of CRM has been substantially enhanced.



Byproducts processing facilities – Smelting furnaces  
350 kg induction furnace dedicated to the recycling of solid residues in metallic bath

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## belgian steel in figures

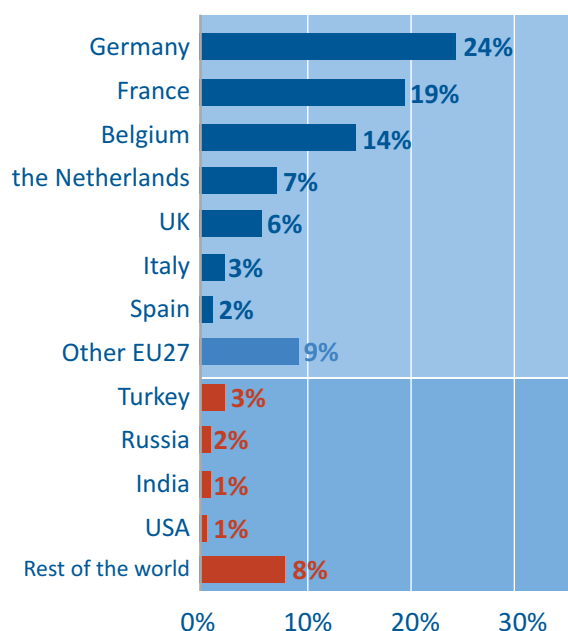
### Steel production (in Kt and %)

	2010	2011	2012	2012/11
Crude steel (all steel)	7.973	8.026	7.301	-9%
of which <i>Oxygen converter</i>	5.177	5.253	4.647	-12%
of which <i>Electric furnace</i>	2.796	2.773	2.654	-4%
of which stainless	1.306	1.241	1.241	0%
Hot rolled strip	8.271	8.465	7.476	-12%
Cold rolled	4.721	4.703	4.406	-6%
Coated flat products	3.790	3.485	3.642	4%
Plate	532	585	568	-3%
Wire rod	761	879	872	-1%

### Other key figures of the sector in 2012

	2010	2011	2012e	2012/11
Employment (on 31/12)	14.274	14.197	13.319	-6%
Turnover (M€)	8.300	9.300	8.100	-13%
Value added (M€)	1.150	1.250	1.100	-12%
Exports (M€)	6.000	6.300	5.700	-10%

### Subdivision of deliveries in 2012





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on 01.01.2013

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