EDITOR’S COMMENT

Steelmakers look on in horror at automotive car crash

The automotive sector has been the major bright spot in the portfolios of European and US steelmakers this year. The crisis at Volkswagen has therefore been unwelcome news at a time of falling steel prices and uncertainty over China’s economy.

According to the latest ACEA figures, August marked an 11.2% year-on-year increase in European car registrations. During the first eight months of the year the recovery has been strong at 8.6% y-o-y. Similarly, in the US, total light vehicle production in the first eight months of the year is up 3.9% at just shy of 12 million units.

The Chinese market is one of the biggest for German produced cars and the slowdown in the world’s economic growth engine will have a major impact. IHS Automotive cut its full-year Chinese market growth outlook to 1.4% from 4.4%. This equates to 700,000 fewer vehicles, while the shortfall for 2015-17 totals 3.6 million cars and light trucks.

The picture was thus a little murky even before the diesel emissions scandal that has seen VW’s share price drop 40%, and led the company to set aside €6.5 billion in expectation of a slew of legal cases.

The impact on consumer sentiment will not be known until we see the September/October sales figures or if it turns out the contagion spreads beyond VW. Steelmakers will be watching the situation closely and strapping on their seatbelts. — Peter Brennan

TOP NEWS

Asian rebar drops on weaker Chinese market

Spot prices of regionally traded rebar in Asia trended further downwards on Monday, as prices in China’s domestic market remained weak, with both steel futures prices and spot billet prices marking a major decline. Platts assessed 16-20mm diameter BS500 rebar down $1/metric ton from Friday at $262-266/mt FOB China actual weight. This implied midpoint of $264/mt FOB took the prices to a record low since Platts started the assessment in November 2006. To avoid serious losses major Chinese steel mills did not want to sell at prices below $275/mt CFR Singapore theoretical weight, said one stockist in the city state. Given the sluggish Chinese home market, the tradable price to Hong Kong should be around $280/mt CFR actual weight (equivalent to $267/mt FOB) or below, said a Chinese trader.

European mills could close

With coil prices continuing to fall last week, and little expectation of the decline abating any time soon, a number of sources suggested steelmakers were looking to idle production sites. Slabmaker SSI UK has already announced the site will be mothballed, while Sweden’s SSAB and Germany’s Salzgitter have also both idled blast furnaces. Mill sources told Platts of their expectation other sites across the continent are on the verge of closure.

Baosteel lights new BF

Shanghai-headquartered Baosteel lit its first blast furnace at the new greenfield Zhanjiang steelworks in southern China’s Guangdong province last week, along with two oxygen converters and two continuous slab casters. The blast furnace is capable of producing 4.1 million mt/year of pig iron. Zhanjiang’s first hot strip mill, with 5.5 million mt/y capacity, is set for commissioning in March 2016 so until then the works’ key product will be slab.

LATEST NEWS

- US scrap market eyes $30-$40/long ton price drop for October
- Iranian five-month steel import volumes down 20% year-on-year
- Beltrame continues policy of maintaining margins: CEO

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GLOBAL INDUSTRY NEWS

Iron and Steelmaking

- Sahaviriya Steel Industries is to idle operations at its Teesside plant in the UK because of “ongoing issues with the supply of raw materials and services.” SSI UK said it will “pause” operations with a view to restarting “at an appropriate point.”
- India’s Steel Authority of India Limited has achieved a cumulative hot metal output of 1 million metric tons at its plant in Burnpur, less than a year after its commissioning last December.
- Hungarian integrated flats producer ISD Dunafer, part of the Ukrainian ISD group, has postponed the revamp of Blast Furnace No. 2 to spring next year from the original fourth quarter of 2015 date.
- ArcelorMittal announced it will re-build the old coke batteries at its integrated site in Gijon, northern Spain. Work is set to start in mid-2016, with production expected the first half of 2018.

Flats

- South Wales hot strip mill, Liberty Steel Newport, is to restart rolling in early-October. The move has been long awaited by the market since Liberty Commodities bought the strip mill in July 2013. Liberty already has around 32,000 mt of slab on the ground ready to roll.
- Italian steelmaker Ilva has restarted hot strip mill No.1 at its Taranto works, which means both the plant’s hot strip mills are now working, though not at full capacity.

Longs

- Latvian rebar producer Liepajas Metalurgs (LM) has stopped production while waiting for new billet supply at reduced prices. The mill is using the gap in semis deliveries for planned maintenance and repairs.

Tubes & Pipes

- Luxembourg-based Tenaris has idled its 35,000 mt/y threading mill for oil country tubular goods (OCTG) steel products, due to plunging activity in the Ecuadorian oil sector. The facility, which started running in January 2014, has not produced since the second quarter of this year.
- France-based tubemaker, Vallourec, is to supply 14,000 mt of OCTG line pipe for the Stampede deepwater project in the Gulf of Mexico.

Raw Materials

- Russian miner and steelmaker, Metalloinvest, has produced the first trial lot at its newly-built pelletizing plant at its Mikhailovsky iron ore operation. The facility is in west Russia, has a capacity of 5 million mt/y.

Stainless and Specialty

- South Korea’s Hyundai Steel plans to start hot run trials on its new 1 million mt/y plant for specialty steel from November. Commercial production of specialty rebar and wire rod is expected from February 2016.
- Stainless and electrical steel producer, Slovenian Steel Group (SLJ), has bought a local producer of industrial equipment, Sistemska Tehnika, enabling it to gain a stronger presence in the end-user market.

NUMBERS OF THE WEEK

World Crude steel production in August was 132 million metric tons, down 3.5% year-on-year.
- Japan’s steel imports in August decreased by 1% y-o-y to 639,929 mt.
- Japan’s crude steel output in August fell by 5.8% y-o-y to 8.8m mt.
- China exported 359,586 mt of seamless pipes in August, up 1% month-on-month.
- South Korea’s HRC imports in August rose 11% y-o-y and 2% m-o-m at 447,300 mt.
- South Korea’s heavy plate imports stood at only 188,700 mt, down 32% y-o-y and 15% m-o-m.
- US mills produced 1.706m st of steel, up 0.7% week-on-week.
- Ukraine’s pipe production in the first eight months of the year fell 44% y-o-y at 570,000 mt.
- Mexico’s crude steel production in July totaled 1.52m mt, down 1.6% y-o-y.
- Brazil’s long steel imports in August dropped to less than one-fifth of the year-ago month, to 14,760 mt.
- Brazilian independent flat steel distributors and service centers shipped 254,400 mt in August, down 29.6% y-o-y.
- Colombian crude steel output increased 6% y-o-y in August to 110,000 mt.
- Venezuela produced 130,000 mt of crude steel in August, up 34% y-o-y.
- Argentina produced 473,500 mt of crude steel in August, up 1.3% y-o-y and 9.9% m-o-m.
- Latin American countries produced 5.5 m mt of crude steel in August, down 1% y-o-y and up 1% m-o-m.

Trade

- Indian steelmakers and re-rollers have demanded a 20% duty on pre-painted galvanized (PPGI) steel products, following the Indian government’s application of an identical 20% safeguard duty on hot rolled coil imports.
- Thailand has launched an anti-dumping investigation against painted galvanized products and aluminum-zinc alloy-coated sheet from Vietnam, as well as imports of stainless tube and pipe products from China, South Korea, Taiwan and Vietnam.
- Malaysia has imposed preliminary anti-dumping duties of 52.1% and 5.68%-16.45% on pre-painted, painted or color-coated coil imports from China and Vietnam respectively, effective September 26.
- United Steelworkers union’s labor negotiations with ArcelorMittal and US Steel are set to resume this week. Labor negotiations at both ArcelorMittal and US Steel have continued past the September 1 expiration of previous contracts.

Finance & Management

- Japan’s JFE Steel is to acquire 5% of Formosa Ha Tinh Steel Corp’s 3.5 million mt/y integrated steelmaking project in north-central Vietnam. The $225 million for its stake is expected to be paid within this month.
- Japanese sections producer, Osaka Steel, has sought the approval of Japan’s Fair Trade Commission to buy sections mini-mill Tokyo Kohtetsu in a tender. All necessary approvals are expected to be obtained by February 2016.
### REGIONAL STEEL PRICES

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*All prices are assessed daily unless otherwise stated.*

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### STEEL PRICE HEAT MAP

- **Red**: Prices rising
- **Blue**: Prices falling
- **No change**
STEEL MARKET ANALYSIS

Downturn persists in most major markets

The repetitive nature of the recent trend in steel related markets saw no end last week, with markets around the world continuing their seemingly inexorable decline.

The weakness in finished steel prices again far outpaced the fall in iron ore and unless producers are scrap-based, it was another week of tightening margins for the mills.

The Platts IODEX 62% Fe fines assessment ended the week $0.85/dry metric ton lower week-on-week at $56.85/dmt cfr north China despite any last-minute buying interest that may have been sparked by the imminent National Day holiday. The holidays in South Korea and China also slowed the East Asian coil market with a number of mills suspending exports offers, citing better achievable prices in the domestic market.

Northern China’s Hebei Iron & Steel announced it would slash its September rebar contract price by Yuan 20-50/mt on Friday, September 25. Rebar sales in Beijing were scant last week with a number of traders trimming their offers slightly to accelerate buying activity.

In Europe the flats market continued to weaken while idlings of blast furnaces were confirmed by both Salzgitter and SSAB. Ostentiously these were premeditated strategies, but the weakness of the current market is likely to have played a part in the timing.

The hot rolled coil ex-works market fell by €5/mt on the week as buy-side sources were happy to stand back and watch the market fall. The decline in southern European mill offer levels have seemingly put even more pressure on companies in the north of the continent.

The domestic rebar market weakened by a similar amount with the continuing collapse in the Turkish imported scrap market fuelling demand from buyers for a reflective drop in steel prices. Demand has been steady as construction output stubbornly refuses to pick up. However, the freezing out of Chinese rebar from the UK market has provided an opportunity for a number of continental European producers.

The Turkish imported scrap market fell further last week with The Steel Index’s reference price for HMS 1&2 80:20 down $10/mt week-on-week to $193/mt cfr Turkey as of 25 September. This failed to have an immediate impact on the Turkish rebar price as the market fell silent last week in observance of the Eid al-Adha public holidays. Upon resumption of the market it seems highly likely this decline in raw material cost will be reflected.

Prices for US hot-rolled coil continued to fall on Friday as domestic mills searched for buyers, who mostly remained on the sidelines following last week’s drop in scrap prices. Multiple buy-side sources indicated that spot buying remained extremely thin as most continued to buy only via existing contracts.

MARKET SENTIMENT DETERIORATING: TSI

An increasingly bearish sentiment emerged from the latest weekly market survey conducted by The Steel Index. Globally, 36% of respondents (up from 24% last week) said they expect steel demand to fall in the next three months, while 68% (up from 56%) expect prices to fall and only 8% expect them to increase.

In North America, only 7% of respondents (down from 19%) expect demand to increase while 50% (up from 25%) expect it to fall. Some 71% (up from 59%) said they expect prices to fall in the next three months. 62% of American respondents (up from 40%) reported decreased stocks and only 15% (down from 20%) increased stocks.

In Europe the bearish view was somewhat less strong. Numbers expecting demand to increase dipped to 16% from 17%, while 23% (up from 17%) expect weaker offtake. On prices, 6% (down from 10%) are looking for an increase while 65% (up from 50%) expect a decrease. 32% (up from 25%) reported decreased stocks and 11% (down from 14%) increased inventory.

LATEST ECONOMIC AND BUSINESS NEWS

Lead: Purchasing Managers Index data pointed to steady growth of the eurozone economy at the end of the third quarter. Faster growth in new work and a backlog of orders pointed to continued expansion in coming months. Selling prices were stable despite sharply reduced commodity prices.

The Markit Eurozone PMI slipped from 54.3 in August to 53.9 in September, according to the preliminary ‘flash’ reading, but Q3 as a whole was the strongest quarterly reading since Q2 2011, Markit said.

“France continued to lag the upturn, but saw growth pick up from the near-stagnation seen in August. Growth slowed in Germany and in the rest of the region,” Markit said, adding service-sector growth outpaced manufacturing, albeit by only a small margin, for a tenth successive month despite the rate of expansion slipping back slightly to match that seen in July.

“Production growth likewise moderated in manufacturing, though remained above the average seen in the year to date. Further robust expansion is signalled for the start of the fourth quarter, with growth of new orders hitting a five-month high in September,” Markit said.

Buyers added that contract pricing, including a discount or rebate, has negated the need to chase spot prices down as they remain below the spot market.

Other forecasts

The director general of the World Steel Association has given a positive outlook for the direction of long term steel consumption, but accepted it will be difficult for steel companies to survive to see the boon.

Speaking at the UK Steel Forum, Edwin Basson expected crude steel output to reach between 2.2 and 2.7 billion mt/year by 2050, and in particular noted an imminent need for mass infrastructure projects in Europe.
GLOBAL PRICE SNAPSHOT

Billet
Platts assessed CIS billet at $280/metric ton FOB Black Sea on Friday September 25, down $6/mt on the previous week. The Black Sea billet market was calm towards the end of the week as Turkey, Egypt, Saudi Arabia and many other buying markets were closed for the Feast of the Sacrifice holiday. The remaining players, mostly in Europe and the CIS, largely refrained from taking any action until next week, but alluded to continued bearishness. Demand for imported billet remained lackluster in Southeast Asia last week, with buyers wary of low-offers from China, regional trading sources said. The Islamic holiday at the end of last week, the approaching mid-Autumn festivals – in South Korea, Hong Kong and Taiwan – and the National Day holidays in China all dampened buying interest. In Manila Chinese offers for Q275 120/130mm billet were at $295-300/mt CFR, with Q235 billet at $292-295/mt CFR, local trading sources said Friday. But importers continued to shun these offers and no deals were heard done last week. In Thailand, many Chinese offers for 150mm Q235 billet for end-November shipment were at $277/mt CFR, but there was little acceptance. On Friday, Platts assessed East Asian 120/130mm billet imports at $280-285/mt CFR, down $5/mt from the previous week.

Rebar & rod
The Turkish export rebar market was silent last week during public holidays in Turkey for Eid al-Adha. Turkish export rebar was assessed unchanged week-on-week at $350/mt FOB Friday, stable on the previous day. Pricing has remained stable at this level since Friday September 18, when sales into the UAE from a large Turkish producer were recorded at $350-$353/mt CFR theoretical weight ($343-346/mt September 18, when sales into the UAE from a large Turkish producer were recorded at $350-$353/mt CFR theoretical weight ($343-346/mt FOB Black Sea on Friday). Though short longs were recorded at $350-$353/mt CFR theoretical weight ($343-346/mt FOB Black Sea on Friday). But importers continued to shun these offers and no deals were heard done last week. In Thailand, many Chinese offers for 150mm Q235 billet for end-November shipment were at $277/mt CFR, but there was little acceptance. On Friday, Platts assessed East Asian 120/130mm billet imports at $280-285/mt CFR, down $5/mt from the previous week.

Flats
Coil
Russian hot rolled coil mills had diverging views on what to do with pricing for October production. One large steelmaker was mooting a 2% increase, but the prevailing expectation in the market was that September pricing should be rolled over. As of September 25, prices for hot rolled sheet were holding at rubles 23,920–24,050/mt ($365-367/mt) for 2mm thick and rubles 23,360-23,500/mt for 4mm, delivered Moscow. Both assessments exclude 18% VAT.

Spot prices of seaborne hot rolled coil in Asia were stable for the third day Friday, as market activity wound down ahead of holidays in China and South Korea. A number of mills suspended making export offers citing better prices achievable in the domestic market. Platts assessed SS400 HRC 3.0mm thick at $270-278/mt FOB China, implying a midpoint of $274/mt, flat on day. Q235 5.5mm HRC in Shanghai was assessed at Yuan 1,900-1,910/mt ($298-300/mt) with VAT, also unchanged. A deal for 10,000 mt of 1.4mm and 1.8mm thick re-rolling coil produced by a large mill in northeastern China was heard concluded at $300/mt FOB earlier this week for November shipment. This implies a spread between 0.3mm and thin gauge coil of about $20/mt, down from $25/mt cited by some in the market in 2014, when flat prices were well above $400/mt.

Plate
Poor overseas demand and falling hot rolled coil prices were forcing Chinese heavy plate export offers lower last week. In parallel, exporters expected the volume of Chinese plate shipped abroad to decline further in coming months, given exports in August retreated 8% month-on-month to 634,680mt. Exporters contacted by Platts said prevailing offers from mills for SS400 12-30mm thick plate had dropped to around $280-285/mt FOB – levels that were still negotiable. Earlier this month, offer prices were $300-305/mt FOB and at around $290-295/mt FOB in mid-September.

Raw Materials
Iron ore
The spot seaborne iron ore market slipped again last week with the Platts IODEX 62% Fe fines assessment ending the week $0.85/dry metric ton lower week-on-week at $56.85/dmt cfr north China as of September 25. The Steel Index’s (TSI) reference price for 62% Fe fines declined by $0.90/dmt over the same period to $56.20/dmt cfr north China.

Scrap
The Turkish imported scrap market fell further last week with The Steel Index’s reference price for HMS 162 80:20 down $10/mt week-on-week to $193/mt cfr Turkey as of 25 September, while the daily Platts assessment for the same grade fell by $8/mt w-o-w to $192/mt cfr Turkey. The Platts shredded delivered Midwest US daily price fell by $12.50/long ton last week to $200/lt ($196.80/mt) while TSI cut its US domestic weekly shredded scrap reference price by $28/lt to $202/lt. The import market for bulk ferrous scrap in East Asia remained

TURKISH SCRAP MARKET SINKS BELOW $200/MT ($/mt)

Source: Platts

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FEATURE

Can Beijing let go of state-owned mills?

China's State Council has provided some clarity on the issue of mixed ownership of state-owned enterprises, including those in the steel sector. Yet the experience of China Zhongchong Group, a Shanghai-headquartered, privately-owned bulk commodities trading house, and its dalliance with state-owned Shandong Iron & Steel Group, suggests that like an anxious parent, Beijing may still be struggling to completely let go. The September edition of the Platts Global Market Outlook investigated.

Beginning in 2013, there were indications that a shift had occurred in government policy to allow private and foreign investors to become financially involved in certain industries and in state-owned companies. The entry of such non-government partners was recognized as a means of rescuing some heavily indebted state-owned entities and to sharpen the competitive edge of others, with steel included in the candidate industries. Just how private and foreign investors would be welcomed into the state-owned companies when China's economic system is far from open has been partially clarified by the state council's tabling on September 13 of new guidelines containing terms and conditions.

As if on cue, only a few weeks before in late August, state-owned Shandong Iron & Steel Group (Shangang), was reported by the Chinese media to be among the pioneer steel producers preparing to test the results – far from confirming the Zhongchong-Shangang deal as a mixture of ownership, which should refer to private or foreign investors buying into the parent company itself.

The key question is whether Zhongchong will really be involved in the day-to-day operations of Shangang's Rizhao works when the integrated mill is commissioned, or whether like other minority shareholders, the trader will merely reap occasional dividends and leave the running of the works solely to Shangang.

Assuming funds are forthcoming, the new integrated steel works in Rizhao will commission sometime in 2017. With Shangang's existing 20 million metric ton/year steel capacity, as a close 'supporter' of the project Zhongchong may have access to the vast steel sales pool as well as taking care of some iron ore procurement. Such investments, however, cannot really be called 'mixed ownership' in a state-owned company, a Beijing-based steel analyst pointed out.

Without formal clarification from Zhongchong Group about its motives in helping the steelmaker with its project, one can only speculate, and the results – far from confirming the Zhongchong-Shangang deal as a test case for mixed ownership – suggest the status quo remains.

Officials from Zhongchong and Shangang Group could not be reached for comment, but an official from Shangang's Shanghai-listed arm Shandong Iron & Steel – the 51% majority shareholder of the Rizhao project – confirmed that their controlling stake would not be affected regardless of whether Zhongchong joins or not.

“For the Chinese government, it’s important to try and balance the two – between the need to allow private and foreign investors to access the vast Chinese steel market, while maintaining control over the state-owned enterprises,” the official said.

“Strictly speaking, this is only an investment in a small subsidiary of a state-owned company,” he explained. “This has little to do with the ‘mixture of ownership’, which should refer to private or foreign investors buying into the parent company itself.”

On the other hand, what's positive is that the central government no longer strongly opposes the idea of other investments into its state-owned enterprises, another Beijing analyst observed. The government realizes that in the long run it alone cannot support all these companies with colossal debt-asset ratios in a global market with fierce competition. The analyst said Beijing “needs to learn to let go.”

NEW BF CAPACITY ADDITIONS IN CHINA - 2013-2015 (MT/Y)

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<th>Region (city)</th>
<th>Capacity</th>
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<td>Wuhan Xinxing Ductile Iron Pipes Co., Ltd.</td>
<td>Anhui (Wuhu)</td>
<td>1,000,000</td>
<td>2013</td>
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<td>Wuhu Iron &amp; Steel Group Encheng Iron &amp; Steel Co., Ltd. (Egang)</td>
<td>Hubei (Ezhou)</td>
<td>1,500,000</td>
<td>2013</td>
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<td>Guangshui Huxin Metalurgical</td>
<td>Hubei (Wuhan)</td>
<td>500,000</td>
<td>2013</td>
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<td>Xinjiang</td>
<td>800,000</td>
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<td>Tianjin metallurgical Group</td>
<td>Tianjin</td>
<td>1,200,000</td>
<td>2013</td>
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<tr>
<td>Xinjiang Kunyu Iron &amp; Steel</td>
<td>Xinjiang (Kuian)</td>
<td>500,000</td>
<td>2013</td>
</tr>
<tr>
<td>Hebei Xinda Iron &amp; Steel</td>
<td>Jilin</td>
<td>1,500,000</td>
<td>2013</td>
</tr>
<tr>
<td>Yunnan Anning Yongchang Iron &amp; Steel</td>
<td>Yunnan (Anning)</td>
<td>1,000,000</td>
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<td>Xinjiang Kunyu Iron &amp; Steel</td>
<td>Xinjiang (Kuian)</td>
<td>500,000</td>
<td>2013</td>
</tr>
<tr>
<td>Sanbao metallurgical (Fujian) Group</td>
<td>Fujian (Zhengzhou)</td>
<td>500,000</td>
<td>2013</td>
</tr>
<tr>
<td>Shandong Guo Xintong Steel Pipe</td>
<td>Shandong (Liaocheng)</td>
<td>1,000,000</td>
<td>2013</td>
</tr>
<tr>
<td><strong>2013 Total:</strong> 24,414,000</td>
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</tr>
</tbody>
</table>

Nanjing Iron & Steel Co., Ltd. | Jiangsu (Nanjing) | 3,600,000 | 2014 |
| Pangang Group Xichang, New Steel Enterprise Co., Ltd. | Sichuan (Xichang) | 1,500,000 | 2014 |
| Baotou Iron & Steel | Inner Mongolia | 5,000,000 | 2014 |
| Tonghua Iron & Steel Co., Ltd. | Jilin | 2,200,000 | 2014 |
| **2014 Total:** 12,300,000 |        |       |      |
| Qingdao Iron & Steel | Shandong (Qingdao) | 4,000,000 | 2015 |
| Baosteel Group | Guangdong (Zhanjiang) | 9,000,000 | 2015 |
| Maanshan Iron & Steel | Anhui (Maanshan) | 2,000,000 | 2016 |
| Bohai Iron & Steel | Hebei (Tangshan) | 2,000,000 | 2017 |
| Shandong Iron & Steel | Rizhao (Shandong) | 8,500,000 | 2017 |

Source: Platts
FOCUS ON NORTH AMERICA

Sheet

Pricing for hot-rolled and cold-rolled coil continued to head downwards as market confidence remained low. A buyer said spot HRC at $430/short ton was becoming the high-end of that market as buyers continued to probe for lower prices. He said there was no impetus to buy in current conditions as there are no consequences for delaying orders, pricing upside is negligible and mill lead times are short. A Midwest service center source said transactions are at a standstill as buyers hunt for advantageous pricing but get skittish once they see how eager mills are to compete. “It is the ‘what came first, the chicken or the egg?’ scenario. Buyers are going out with a possible order to mills and looking for a certain HRC number,” around $430/st he said. “But then all the mills [get to that price] and then they don’t want to buy.”

Hot-rolled coil pricing at $420/st was heard available in the Midwest for an order just above 1,000 st, according to a service center source. The order was outside the maximum lot size of 500 st to be considered in the Platts daily price assessment. He added that he had both a mini-mill and integrated mills “knocking on the door for orders.”

The service center source said he did not think “any one mill is finding their order book at pleasant levels. Lead times from just about everyone I speak with are still in the two- to three-week range on HRC with what seems to be room for expedited orders if needed.”

Platts lowered its daily hot-rolled and cold-rolled coil price assessments to $430-$440/st and $550-$560/st, respectively, down from $430-$450/st and $550-$570/st on Friday. All prices are normalized to a Midwest ex-factory basis.

Import cold-rolled and hot-rolled coil prices into the US were lower as offers for material from countries unnamed in trade cases were prevalent. A trader said he was seeing drastic drops in Turkish CRC offer prices to the US East Coast as the lira has fallen over the past month. He said new offers were below $455/st CFR.

Vietnamese offers to the East Coast have been more limited, the trader said, with some sample orders booked, but East Coast CRC offers were predominately Turkish. A buyer said he was seeing CRC offers into Houston at $470/st on a CFR basis. The new offers were mainly out of Vietnam.

A service center source reported seeing hot-rolled coil import offers to the port of Houston at around $350-$360/st, excluding handling and freight at the port. HRC offers were also heard to be coming in around $380/st on a delivered, duty-paid, loaded truck basis into Houston, another buy-side source added.

Platts lowered its cold-rolled coil and hot-rolled coil import price assessments to $460-$480/st and $360-$380/st from $480-$495/st and $390-$400/st, respectively. All prices are on a CIF Houston basis.

Scrap and raw materials

US containerized scrap prices into Taiwan fell to $155/metric ton CFR for heavy melting scrap 80:20. Even after a drop from recent sales as high as $168/mt, buying activity was still limited from Taiwanese mills. Platts assessed US West Coast containerized HMS 80:20 at $138-$142/mt FAS Port of Los Angeles.

The assessment was down $12.50/mt on day. No new bulk activity was heard as the largest bulk buyer of US West Coast scrap, South Korea, remained out of the market. South Koreans were heard to be paying as low as $155/mt CFR for H2 scrap from Japan.

Scrap dealers eager to place tonnage for October shipments accepted mill bids $30-$35/long ton below September ‘buy week’ prices in a rapidly unraveling market. Mills paid as low as $200/lt for shredded scrap and counter-offer bids were out in the market at $195/lt.

Platts assessed Midwest shredded scrap at $195-$205/lt delivered Midwest mill, down $12.50/lt on day. “Two weeks out [from the traditional October ‘buy week’] and the market is in sheer panic,” one mill buyer said last week. “Guys want homes [for scrap] more than they care about the price.”

US busheling scrap prices have fallen to $200/lt into some Midwest mills, down as much as $30/lt from the first week of September when prices settled around $230/lt in the Midwest. Mills were generally able to buy at $205-$215/lt; one mill reported being inundated with offers at $215/lt and has since lowered bids. Another mill notified dealers it was canceling all September orders. “They got buried [with offers] at $215 and shut the gates. I think it will be sub $200 when it is all said and done,” one dealer said."

An export sale from the US into Turkey was transacted at $192/mt CFR for heavy melting scrap 80:20 basis, which further dimmed US scrap market sentiment. The sale was $8/mt below the prior US sale of $200/mt a week earlier and well below the psychological barrier of $200/mt that some doubted could be breached just a few weeks ago. US East Coast docks lowered prices to $125-$135/lt for HMS I delivered to the dock.

Pipe and Tube

Both the US and Canadian rig counts posted losses the week ended September 25, according to energy services firm Baker Hughes. The US rig count fell by four to 838, down 1,093 year-on-year. The Canadian rig count, meanwhile, fell by six rigs to 176, down 253 y-o-y.

Long products

Nucor slashed prices $40-$60/ft for wide-flange beams, effective with Monday’s orders, and Steel Dynamics Inc. cut prices by the same amounts Monday “effective immediately.” Gerdau Long Steel North America
FOCUS ON NORTH AMERICA

announced late Monday that it would also cut sections prices $40-$60/st, effective with shipments Tuesday. Nucor-Yamato Steel and SDI said they were cutting prices to address foreign and domestic competition. Domestic mills had not lowered published prices for beams since February, but heavy discounting and lower scrap prices have now prompted the mills to align their price lists more closely to actual transaction prices.

Nucor told customers it would reduce pricing for most of its merchant and light structural products by $30/st “to better align our published price list with market transaction pricing influenced by both imports and domestic competition.” The move took effect with shipments last Wednesday. Commercial Metals Co. also cited imports and domestic competition for cutting prices $30/st Wednesday, and Steel Dynamics Inc. dropped prices $30/st Wednesday as well.

US merchant bar prices could continue to erode until international and domestic mills cut capacity to align with demand. A US mill source said it only takes imported merchant bar offers or a small volume of actual imports to impact US market pricing. The source said domestic shipments in September are down about 4-6% from last year.

A southern US service center source said there is not enough demand, and the only way mills know how to combat low order levels is to drop prices. The source said he does not expect this will help because Mexican and Turkish mills will probably lower prices to be more competitive as well.

Turkish rebar offers to the US fell again with scrap prices, and traders said they expected prices to decline further after the Turks return from the Eid al-Adha holiday. The Platts daily imported rebar price assessment dropped to $340-$349/st ($375-$385/mt) CIF Houston, down from $349-$354/st ($385-$390/mt). Negative scrap pricing sentiment has been weighing down the market in the last two weeks. “$380/mt is so yesterday,” one trader said of new CIF pricing.

Most offers were in the $370s/mt CFR Houston range, the trader said, but he expected prices could fall into the $360s as scrap prices continue to slide. “The Turks must stop this, but they won’t. As long as the scrap price is falling and they make money, they will drop their prices in order to run on full capacity,” he said.

Nucor-Yamato Steel is investing $75 million in a quench and self-tempering process that will allow the company to produce ASTM A913 Grade 65 and Grade 70 structural sections, making it the first US producer of these high-strength sections. Nucor-Yamato will utilize the technology on its Mill 2, which has 1.4 million st/year of capacity. The company plans to commission the project in the second half of 2016. “The A913 market is a strategic part of the future of our company and we will continue to meet and exceed our customers’ needs and requirements,” Nucor CEO John Ferriola said. A Nucor spokeswoman said construction will begin immediately and the mill will not have any major outages.

Raw steel output

US raw steel production rose 1.7% last week, as Western and Southern region mills boosted output, American Iron and Steel Institute data showed. In the week ended September 26, US mills produced 1.735 million st of steel, up from 1.706 million st the week before. The industry’s capability utilization climbed to 72.6% from 71.4%. Last week’s production was 7.6% lower than the year-ago week, when mills made 1.878 million st, operating at 78.1% of their capability.

US mills’ year-to-date production is down 8% to 66.1 million st, compared to 71.9 million st made in the same period last year. The average capability utilization in 2015 has been 72.5%, down from 78% in the year-ago period, according to the American Iron and Steel Institute.

Unfair trade cases

The US International Trade Commission voted to continue the anti-dumping and countervailing duty investigations on hot-rolled coil imports. The ITC voted that there was reasonable indication the US was materially injured by imports allegedly dumped by companies in Australia, Brazil, Japan, South Korea, the Netherlands, Turkey, and the UK and allegedly subsidized by the Brazilian, South Korean and Turkish governments.

HRC imports supplied 9.6% of total US consumption and 20% of the merchant market - that which is not further processed, the ITC said. The next step in the investigations will be the Department of Commerce’s preliminary duty determinations. Commerce is expected to issue preliminary subsidy rates on November 4 and preliminary dumping margins on January 18, 2016.

Service centers

Cargill will close its Nashville flat-rolled steel service center around the start of 2016 due to challenging market conditions and the large investment needed to make the facility competitive. “They have worked hard to recover from the damage of the 2010 Nashville flood, but given

PLATTS US DOMESTIC PRICE SNAPSHOT - LATEST ASSESSMENTS*

<table>
<thead>
<tr>
<th>Flats ($/st, FOB mill)</th>
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<tr>
<td>Hot-rolled coil</td>
<td>440.00</td>
</tr>
<tr>
<td>Cold-rolled coil</td>
<td>560.00</td>
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<tr>
<td>Hot-dipped galvanized</td>
<td>645.00</td>
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<td>Plate</td>
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<th>Longs ($/st, FOB mill)</th>
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<tr>
<td>Rebar</td>
<td>517.50</td>
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<tr>
<td>Wire Rod</td>
<td>515.00</td>
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<tr>
<td>WF Beams</td>
<td>680.00</td>
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<tr>
<td>Merchant Bar</td>
<td>673.00</td>
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<table>
<thead>
<tr>
<th>Scrap ($/ft, delivered mill)</th>
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<tr>
<td>#1 Busheling</td>
<td>205.00</td>
</tr>
<tr>
<td>HMS 1/2</td>
<td>170.00</td>
</tr>
<tr>
<td>Shredded</td>
<td>200.00</td>
</tr>
<tr>
<td>Plate &amp; Structural</td>
<td>185.00</td>
</tr>
</tbody>
</table>

*Prices based on midpoint of price range
STEEL MILL ECONOMICS

Chinese spreads generally contracted last week as the finished steel markets continued to decline. The flat steel spread saw the most significant fall as Shanghai’s hot rolled coil market was assessed down yuan 20/metric ton to reach Yuan 1,900-1,910/mt ($298-299/mt), the lowest since Platts started the assessment in January 1997. Beijing’s rebar price was stable through the week until a yuan 10/mt price cut on Friday as traders trimmed offers to accelerate scant sales during the week. A larger dip in Tangshan’s billet market led to a positive week-on-week change for China’s Billet-Rebar spread. However, it has fallen by $30/mt since the start of the year.

Turkish scrap import prices tumbled last week on slack buying, shedding $8/mt and expanding the spreads. The export rebar price was stable amid the Eid celebration in Turkey and the Middle East. The Scrap-Black Sea Billet spread has increased $11/mt since January.

US spreads also increased on the back of a plunging scrap market.

STEEL MILL ECONOMICS

<table>
<thead>
<tr>
<th>Date</th>
<th>Change</th>
<th>Weekly change</th>
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<tbody>
<tr>
<td>China Flat Steel (IDEX)</td>
<td>+162.88</td>
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</tr>
<tr>
<td>China Flat Steel (TSI)</td>
<td>+163.92</td>
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<td>China Long Steel (IDEX)</td>
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<td>China Long Steel (TSI)</td>
<td>+173.32</td>
<td>$/mt</td>
</tr>
<tr>
<td>China Hot Metal (IDEX)</td>
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<td>$/mt</td>
</tr>
<tr>
<td>China Hot Metal (TSI)</td>
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<tr>
<td>China Billet-Rebar</td>
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<tr>
<td>Turkey Scrap-Rebar (Platts)</td>
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<td>Turkey Scrap-Rebar (TSI)</td>
<td>157.00</td>
<td>$/mt</td>
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<tr>
<td>Turkey Scrap-Black Sea Billet (Platts)</td>
<td>88.00</td>
<td>$/mt</td>
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<tr>
<td>Turkey Scrap-Black Sea Billet (TSI)</td>
<td>87.00</td>
<td>$/mt</td>
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<tr>
<td>US Scrap-HRC</td>
<td>261.44</td>
<td>$/mt</td>
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<td>US Scrap-HRC Futures</td>
<td>267.65</td>
<td>$/mt</td>
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<tr>
<td>US Scrap-Rebar</td>
<td>339.94</td>
<td>$/mt</td>
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Turkish scrap-Black Sea Billet spread has increased $11/mt since January.

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The Brazilian export pig iron price has slumped $30/metric ton so far in September, to its lowest level since Platts began assessing it in 2007.

Platts lowered its monthly Brazilian pig iron assessment to $210/mt for October shipments, based on a range of $205-$215/mt FOB Ponta da Madeira port from September's $240/mt, reflecting a $230-$250/mt FOB level.

The bleak outlook remains as, according to sources, Brazil's currency devaluation and low global iron ore prices are expected to linger.

"I heard two deals of 25,000 mt and 7,000 mt both heading to Peru at $200/mt FOB," said a trader, without citing the buyer. Peru only has two steelmakers: Aceros Arequipa and Siderperu.

"With the high exchange rate, this can be a good price.

"Some analysts said the Brazilian Real will continue weakening if the political uncertainty does not ease in the short run," the trader said.

A major producer source worried by the currency situation said he closed a deal for 70,000 mt of pig iron to US for middle October shipment at $230/mt CFR. "The US is pressing Brazil because of the devaluation of the real," he added.

One US buyer said he booked Brazilian pig iron at $230/mt and $225/mt CIF New Orleans. "Probably could have squeezed a buck or two but we'll save up the good will for the future," he added.

Another source in Brazil explained that FOB levels to New Orleans port is around $210-$215/mt. "From what I've heard, the $230/mt mark is no longer available, we are now well below it," he said.

**FOCUS ON BRAZIL**

**Brazilian pig iron export price hits record low**

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COMPANY PROFILE

Erdemir Group

What is the company?
Listed on the Istanbul Stock Exchange, Erdemir is the largest integrated steelworks in Turkey. The company was established in 1960 in order to be the first domestic producer of flat steel in the country.

What does Erdemir produce?
The Erdemir Group’s crude steel production capacity is 9.1 million metric tons/year. Its Eregli works produces hot rolled coil, cold rolled coil, hot-dip galvanized coil, HR plate and tinplate; the Isdemir works produces billet, wire rod and HRC.

Erdemir, the main company of the Erdemir Group now has 4 million mt of crude steel capacity, and 5 million mt of final products capacity.

What is the company’s financial position?
Net profit at Erdemir Group totalled TRY 779.2 million ($280 million) in the first half of 2015, almost the same as the previous year H1’s net profit of TRY 777 million. The group sold 3.6 million mt of flat rolled steel in the January-June period, up 6% year-on-year, while its flat sales in the domestic market increased 10% y-o-y to 3.4 million mt.

The company exported 271,000 mt of flat products to 35 countries in H1, despite sluggish market sentiment. The group’s long product sales also increased, by 16 % in H1 to 648,000 mt. Domestic long sales were up 25% to 556,000 mt, while exports declined to 93,000 mt.

Why is the company interesting?
- In September it was announced that the Isdemir steelworks was idling its 600,000 mt/y wire rod mill for around 30 days until October 15, due to a planned maintenance. However, sources said this will probably not cause a serious wire rod supply shortage in Turkey’s local market, as demand is not expected to recover notably; at least until the general elections on November 1.

- In August the company said it will increase the capacity and extend the product range of its second cold rolling mill at its Eregli plant, northern Turkey, with a planned investment worth TRY 99 million ($35.6 million), which is awaiting approval from the ministry of environment and urban planning.

- The company opened a new steel service centre in Manisa, in the Aegean region, western Turkey in Q1 and said in August that it was targeting the launch of a cold slitting line at the facility in September, with a capacity of 150,000 mt.

- In July Erdemir signed an agreement with plant maker Primetals Technologies France for building the second galvanizing line, which will be an addition to the cold rolling unit at its Eregli plant, northern Turkey. “The new plant will add 350,000 mt/year to our current galvanizing production capacity,” Erdemir said.

A BRIEF HISTORY...

2014 Opens new sales office in Singapore - registered as Erdemir Asia Pacific Private Ltd
2013 Moves head office to Istanbul
2008 Commissions the rebuilt blast furnace No.1
2006 The company is privatised
2004 Divriği-Hekimhan Madenleri San. ve Tic. A.Ş. (DIVHAN) is acquired and renamed as Madencilik San. ve Tic. A.Ş. (Ermaden).
2002 Isdemir Acquires LBE steel plant in Romania with a capacity of 108,000 mt/y
2001 Erdemir Çelik Servis Merkezi San ve Tic. A.Ş. (Ersem) starts its operations in Gebze with an annual capacity of 150,000 mt/year.
2001 Erdemir Mühendislik, Yönetim ve Danışmanlık Hizmetleri A.Ş. (Erenco) is established
2000 Flat steel production exceeds 3 million mt
1999 Commissions a 250,000 mt/y tin and chrome coating plant
1997 Commissions cold rolling plant 2
1986 Trading of Erdemir stocks starts, after establishment of Istanbul Stock Exchange
1978 Production capacity reaches 1.5 million mt/y of crude steel
1965 Erdemir starts operations at 500,000 mt/y
1960 Erdemir is established

Erdemir’s Eregli plant on the Black Sea coast. Photo: Platts