Forging ahead

Fourth-quarter 2009 global metals industry mergers and acquisitions analysis

Innovation: A course to recovery

Welcome to the fourth-quarter 2009 edition of *Forging ahead*, our analysis of mergers and acquisitions in the metals sector. The pace of deal activity as measured by the number of announcements picked up during the most recent quarter, though acquirers continued to demonstrate a preference for smaller deals. This can be seen in the paucity of announcements for large deals, which we define as deals more than $1 billion in value.

Special report:
Innovation strengthens economic recovery

When the world entered the worst recession since the Great Depression, it forced companies to adopt a "back to basics" approach to business. As the economy recovers, companies hope to shrug off their "hunker down" mentality and find new ways to succeed. The question is: Which metals companies will be first to succeed, and how will they do it?

The winners will be those metals companies that optimize their recent acquisitions and look inward to achieve the efficiencies necessary to cut and sustain costs, improve performance, and compete in an increasingly automated business environment.

The steel industry continues to make technological advances aimed at reducing CO2 emissions. The research, called the CO2 Breakthrough Program, represents significant progress toward carbon-free iron production. One project under way at MIT produces iron by molten oxide electrolysis (MOE) and generates near zero CO2 emissions. A second project, called "Ironmaking by Hydrogen Flash Smelting," is being conducted at the University of Utah and uses hydrogen to replace carbon as a blast-furnace fuel.[1]

In addition, aluminum producers are exploring ways to reduce greenhouse gas emissions through the commercial use of inert anode technologies.

According to Christopher Wasden, a PricewaterhouseCoopers (PwC) strategy and innovation specialist, technological breakthroughs in any industry must have economic value from a business perspective. Otherwise, a breakthrough is "simply novel, and ultimately useless."

"Simply put, that which is creative and new becomes innovative only when it creates value — that is, when people are willing to pay for it," Wasden said in the Fall 2009 edition of the PwC publication *View*. To harness innovation and make it work, Wasden explains, requires an understanding of what drives and sustains it. Innovators need something to cause them to react — something Wasden calls "tensions."

The many faces of innovation

Many industries have been transformed because of innovations involving advances in technology. For example, a steel company is gearing up to start construction on a carbon alloy synthesis facility that will use an innovative way of turning coal into Cokonyx™. This product can displace traditionally manufactured coke, a key ingredient in steelmaking. The Cokonyx carbon alloy material uses a technology that significantly reduces emissions and energy usage compared with a traditional coke-making facility. Further, the gases created during the process can potentially be used in a proposed cogeneration facility.[2]

Metals companies are also looking for ways to make their products last longer and perform more efficiently. When a company improves product durability and longevity, it can attach a premium to that product's sale price and in the process gain competitive advantage.

Given the long life cycle of most metal products coupled with the dynamics of globalization, metals companies feel pressured to incorporate innovations in their production processes and back-office operations to remain competitive.

According to PwC's recently released *Manufacturing Barometer* survey, 65 percent of respondents intend to increase operational spending over the next 12 months. The top areas slated for an increase in spending are new product or service introductions (37 percent), research and development (37 percent), geographic expansion (27 percent), business acquisition (23 percent), facilities expansion (22 percent), and information technology (22 percent). The quarterly report interviews senior executives from large, multinational manufacturing companies including producers of metals and metals products.

[1] American Iron and Steel Institute.

[2] PRNewswire-FirstCall, April 18, 2009.

Innovation and business operations

Metals companies face the following business strategy issues:

- Revenue growth
- Commodity risk management
- Cost containment
- Inventory optimization
- Strategic pricing

Companies may want to consider the following innovative solutions to address business strategy issues:

- Expansion of business intelligence software
- Growth in manufacturing intelligence
- Business model integration

Many industrial products companies are interested in ways to save operational costs by automating routine processes. Rather than continue to move routine systems offshore, some companies are starting to automate them. Examples include automation of back-office processes such as procurement, invoicing, and payroll through the implementation of enterprise resource planning systems.

Innovation, mergers, and acquisitions

Innovation plays a significant role in the acceleration of the mergers and acquisitions (M&A) process. Companies with a high level of information technology infrastructure are better able to integrate customer, product, and business data into an acquiring or acquired company. It is also possible that a company's technological innovations will render it more attractive as a target. If acquired by a global company, that target company has an opportunity to market its innovations to a broader audience and possibly to a wider geographical area. Additionally, product innovations can serve as a competitive differentiator, thus protecting market share and generating revenue growth.

M&A also plays a significant role in accelerating innovation at an organization. Because the research and development that could lead to innovation is often difficult, expensive, and requires specific skills, some companies find it more cost efficient to acquire innovation through the M&A process. Other potential M&A motivators include synergies in competitive strategies and the building of new customers and markets.

As metals prices continue to make gains amid increasing global demand, it appears that there could be a jump in M&A activity going forward. While the economic difficulties continue, it will likely be strategic investors who drive most of the deal activity. And although there have recently been several large deals, metals company leaders might still choose to focus more on the integration of past acquisitions, cost containment, and capacity rationalization in the near term.

Navigating the right path to innovation

What steps should metals companies take to develop an innovation strategy? For some organizations, acquiring competitors is a way to open up new markets, accelerate global growth, or improve distribution networks. Valuations in the industrial products sector are cyclical, and it appears they are emerging from a trough and showing signs of recovery. Still, valuations are attractive relative to where they were a couple of years ago. As the global economy continues to improve, companies that act quickly on acquisition opportunities will secure the most attractive deals with the most potential to stimulate growth.

Metals companies that embrace and execute on the decades-old concepts of digital transformation and IT innovation, along with tried-and-true practices such as strengthening balance sheets and divesting noncore assets, will be the ones with the greatest opportunities for success.

Stanford economist Paul Romer famously said, "A crisis is a terrible thing to waste." In a metals industry hit hard by recessionary struggles, companies will look to innovation as a way to possibly increase productivity, reduce emissions, lower the cost of raw materials and energy, and ultimately drive growth.

Perspective:
Thoughts on deal activity in the fourth quarter of 2009

Though the metals deal market is normally driven by strategic participation, financial investment increased during the quarter. In fact, the largest deal announcement was the $631 million leveraged buyout by a JP Morgan private equity fund of Constantia Packaging. This deal was announced concurrent with an $88 million transaction to bring the total stake in the target company to 75 percent. Another shift observed in the quarter is the decline of minority stake purchases, which had become more prevalent on a relative basis during the downturn. We attribute this abatement to buyers' improved financial position, which allowed them to seek more controlling interests in target companies.

Despite the high-profile nature of deals involving entities from emerging and developing economies during 2009, acquirers from advanced economies began to increase their relative deal activity in the fourth quarter. We believe this trend is likely to persist. However, Chinese entities could continue to play a significant role through consolidation of their local steel industry as well as the potential for additional outbound resource deals.

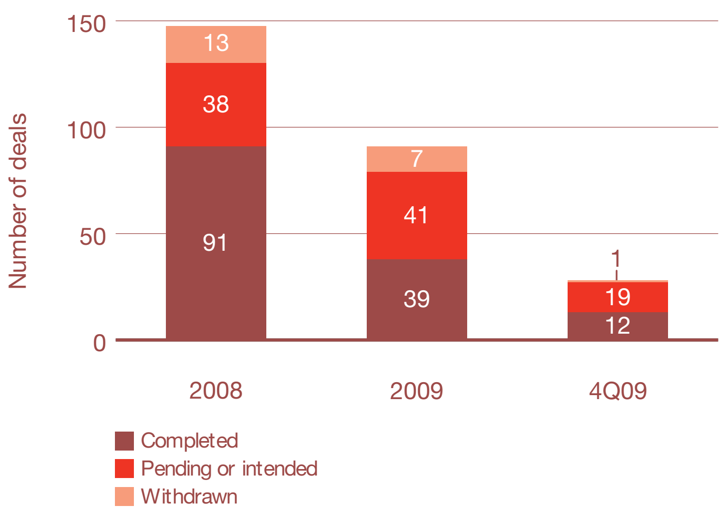
Conditions are in place for a brighter deal market in 2010. Metals deal activity has tended to increase coincident with economic recoveries, and the credit environment continues to ameliorate with improvements in syndicated lending and corporate bond issuance. In addition, risk premiums have narrowed and equity markets are recovering, providing better currency for future deals. Based on the probability of a sustained, if modest, economic recovery in key regions, higher commodity prices, and the capital market improvements, we are cautiously optimistic about the environment for metals deals in the new year.

Commentary

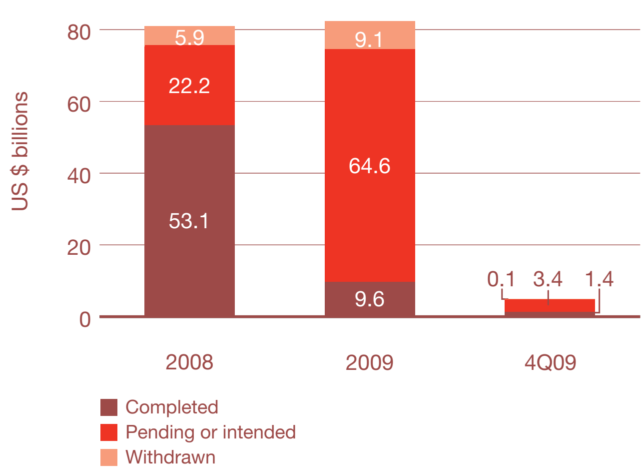
Quarterly metals deal activity
Measured by number and value of deals worth $50 million or more

	2007				2008				2009			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Number of deals	38	32	28	43	38	45	34	25	17	17	21	32
Total deal value ($ billions)	22.2	51.2	53.5	24.2	29.3	18.5	21.9	11.5	11.7	63.0	3.7	4.9
Average deal value ($ billions)	0.6	1.6	1.9	0.6	0.8	0.4	0.6	0.5	0.7	3.7	0.2	0.2

Deal activity by number of deals
Measured by number of announced deals worth $50 million or more



Deal activity by total deal value
Measured by value of announced deals worth $50 million or more



Deal-making pace improves again; values lag

The pace of the number of deal announcements for metals targets continued to improve during the fourth quarter, with 32 announced deals, 11 more than the third quarter. On an annualized basis, the number of deals announced during the fourth quarter exceeds the number announced during all of 2009 and falls only slightly short of the total announced in 2008.

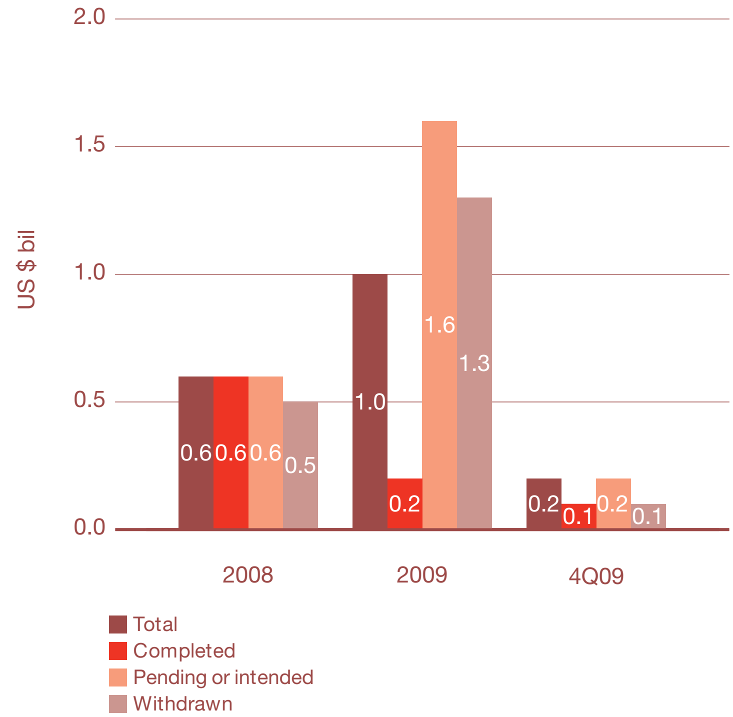
The level of announced deal value remains mostly anemic. The $4.9 billion of total deal value announced during the fourth quarter compares with $83.3 billion announced during all of 2009. However, after adjusting the 2009 deal value total for the $58 billion Rio Tinto-BHP Billiton deal, which was financed largely by the contribution of iron ore assets in Western Australia, deal value in the fourth quarter dropped only marginally from the average of the first three quarters of the year.

Fourth quarter shows declines in deals' average and absolute values

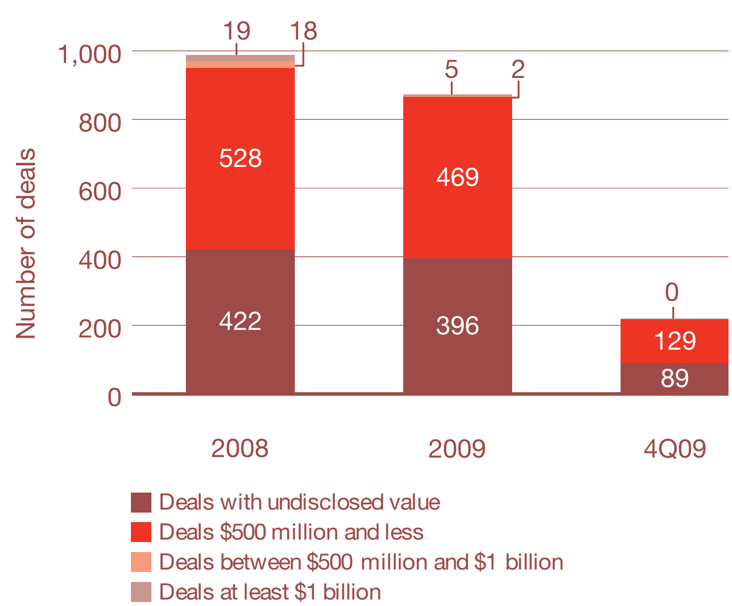
Average deal values declined during the fourth quarter; in addition, the range of deal activity by value also indicates that deal sizes have declined. The large average value of withdrawn deals in 2009 represents the withdrawal of several large deals involving Chinalco and Rio Tinto, while the large average value of pending deals for the year results from the pending BHP and Rio Tinto iron ore transaction.

When the trends in average deal values and range of deal values are considered in conjunction with the rebound in the total number of announcements, it is clear that the metals deal market is recovering but that the focus of this activity remains on smaller deals. The primary factors limiting the recovery in larger deals include credit constraints and a focus by acquirers on cash preservation and operational improvements. These limiting factors have begun to show signs of abatement and are likely to continue to recede over the next several quarters, which should shift deal activity toward larger transactions.

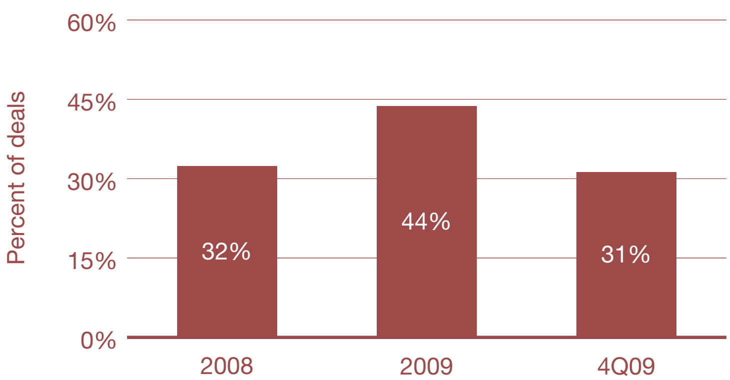
Deal activity by average deal value
Measured by value of announced deals worth $50 million or more



Deal activity by number and range of deal value
Measured by number of announced deals worth $50 million or more



Minority stake purchases
Measured by percent of deals worth $50 million or more for less than 50% ownership



Quarter sees less activity for minority interests in metals companies

In previous 2009 quarterly reports, the trend of a higher proportion of minority stake purchases was noted. This was driven, in part, by credit constraints, which made it more difficult for acquirers to target controlling interest stakes. Also, a number of strategic owners increased their minority stockholdings rather than seek new deals. This trend reversed in the fourth quarter, with the percentage of deals involving minority stakes returning to 2008 levels.

It is likely that this past year represented a relative high point for minority stake activity. Now, the capital markets have become somewhat more supportive of deals that involve controlling interests.

No large deals announced in 4th quarter; 2010 seen as favorable

Large deal activity slowed during 2009, with five such deals announced during the year compared with 19 in 2008. In addition, none of the large deals in 2009 was announced during the most recent quarter. When considering that the three largest deals in 2009 involved related deals by BHP Billiton, Chinalco, and Rio Tinto, it is clear that the deal environment has not yet recovered sufficiently such that the pace of large deals has aggrandized.

The two proposed large deals in which Chinalco was the acquirer (listed as People's Republic of China in the table on page 8 targeted a stake in Rio Tinto and its mines through the purchase of convertible bonds and direct investments in the mines. The large deals involving Chinalco were dropped in favor of a joint venture between BHP Billiton and Rio Tinto that the parties expect to close by the second half of 2010. BHP and Rio are targeting synergies from this joint venture of approximately $10 billion based on lower overhead and logistics. Though BHP Billiton and Rio Tinto decided to keep their marketing operations separate to improve the prospects for regulatory approval, this joint venture has been a source of continued scrutiny. Steel makers have noted that, even with separate marketing operations, the joint venture partners could still benefit from an improved knowledge of overall volume and demand trends for iron ore.

The fourth-largest deal announced during 2009 was the purchase by the Venezuelan government of a remaining stake in Sidor from Ternium SA, which followed the government's decision to renationalize the metals sector. During the third quarter, the fifth-largest deal of the year, an incremental stake by Vale in a steel joint venture with ThyssenKrupp, was announced. The joint venture is constructing the first large steel mill that has been built in Brazil since the 1980s. This mill is slated to begin production in 2010, and Vale will benefit as the exclusive supplier of iron ore to the joint venture.

In June 2009, Xstrata announced a hostile merger of equals proposal for Anglo American that was valued at $30 billion based on stock prices at the time of announcement. This announcement is not included in the 2009 large deals table because of Anglo American's heavily diversified mining exposure. The withdrawal of this deal preceded Anglo American's announcement of a restructuring that involves a number of asset divestitures.

The outlook for large deal activity in 2010 is better. Higher commodity prices and stock valuations can provide better currency for large deals. In addition, a modest improvement in economic activity within developed markets, along with continued growth in developing markets, should help encourage potential acquirers to focus less on cost and liquidity improvements and more on growth opportunities available from large M&A transactions.

Large deals in 2008 (value of $1 billion or more)

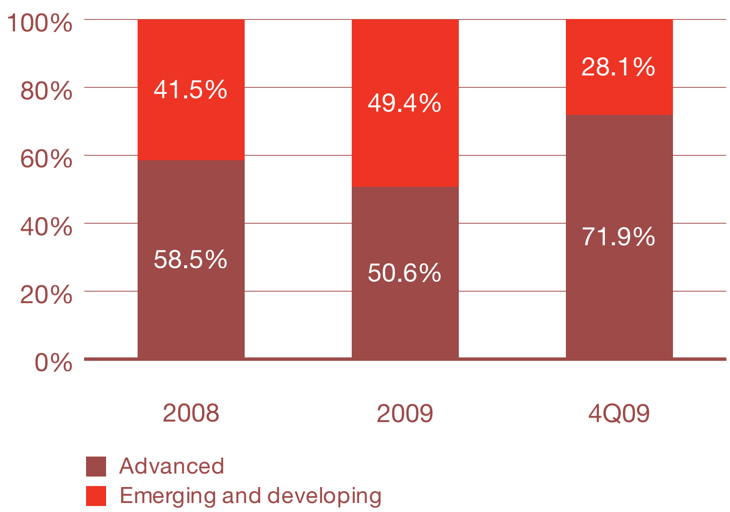
Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US$ bln	Category
Aug	OAO GMK Norilsk Nickel	Russian Fed	Vladimir Potanin	Russian Fed	Pending	9.65	Nickel
Mar	Zinifex Ltd	Australia	OZ Minerals Ltd	Australia	Completed	5.73	Other
Mar	IPSCO Inc-Canadian Tubular Operations	Canada	Evraz Group SA	Russian Fed	Completed	4.03	Steel
Aug	John Maneely Co	United States	NLMK	Russian Fed	Withdrawn	3.53	Steel
Jan	IronX Mineracao SA	Brazil	Anglo American PLC	United Kingdom	Completed	3.49	Iron ore
Oct	Nacionale Minerios SA	Brazil	Investor Group	Japan	Completed	3.12	Iron ore
Jun	Eurasian natural Resources Corp PLC {ENRC}	United Kingdom	Kazakhmys PLC	United Kingdom	Completed	2.55	Steel
Jan	Iron X Mineracao SA	Brazil	Anglo American PLC	United Kingdom	Pending	2.01	Iron ore
Feb	J Mendes Ltda	Brazil	Usiminas	Brazil	Completed	1.90	Iron ore
Jan	Iron X Mineracao SA	Brazil	Shareholders	Brazil	Completed	1.88	Iron ore
Jul	Century Aluminum Co	United States	Glencore International AG	Switzerland	Completed	1.82	Aluminum
Dec	Handan Iron & Steel Co Ltd	China	People's Republic of China	China	Pending	1.69	Steel
Mar	Oriel Resources PLC	United Kingdom	OAO Mechel	Russian Fed	Completed	1.52	Other
Nov	CITIC Pacific Ltd	Hong Kong	People's Republic of China	China	Completed	1.50	Steel
Mar	IPSCO Tubulars Inc	United States	TMK	Russian Fed	Completed	1.20	Steel
May	Panzhihua Iron & Steel Co Ltd-Assets	China	Panzhihua New Steel	China	Pending	1.16	Steel
Jan	Tenaris SA-Hydril Pressure Control Business	United States	GE	Italy	Completed	1.12	Steel
Jun	PNA Group Inc	United States	Reliance Steel & Aluminum Co	United States	Completed	1.10	Other
Dec	DHS-Dillinger Huette Saarstahl AG	Germany	SHS-Struktur-Holding-Stahl	Germany	Pending	1.07	Steel

Large deals in 2009 (value of $1 billion or more)

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US$ bln	Category
Jun	Rio Tinto PLC-Western Australian Iron Ore Assets	Australia	BHP Billiton Ltd	Australia	Pending	58.00	Iron ore
Feb	Hamersley Iron Pty Ltd	Australia	People's Republic of China	China	Withdrawn	5.15	Iron ore
Feb	Rio Tinto Ltd	Australia	People's Republic of China	China	Withdrawn	2.63	Iron ore
May	Ternium Sidor	Venezuela	Republic of Venezuela	Venezuela	Completed	1.97	Steel
Jul	ThyssenKrupp CSA Siderurgica do Atlantico Ltda	Brazil	Vale SA	Brazil	Completed	1.37	Steel

US acquirers fuel activity among advanced economies

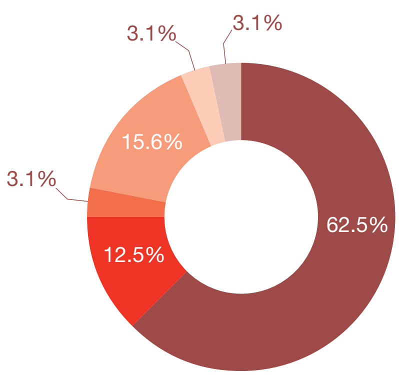
Acquirers from advanced versus emerging and developing economies
Measured by number of announced deals worth $50 million or more



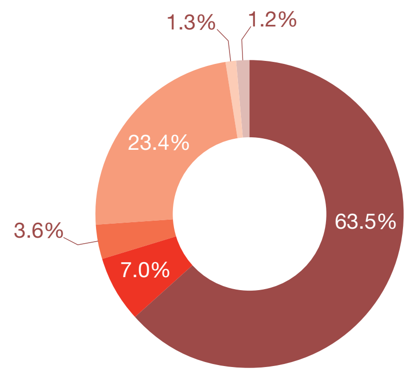
It has been noted in previous reports that entities in emerging and developing economies such as China have increasingly flexed their financial muscle in making metals acquisitions. However, deals involving acquirers from advanced economies accounted for a greater proportion of total deal volume during the fourth quarter. This was driven by the resumption of deal activity involving US acquirers, which announced six deals during the fourth quarter after no announcements during the first three quarters of the year.

The US deals include two announcements from a JP Morgan private equity fund for a 75 percent interest in Constantia Packaging, which derives almost 40 percent of sales from Austrian aluminum subsidiary AMAG; and a silicon metal acquisition by Dow Corning (a joint venture of Dow Chemical and Corning) in Brazil. One of the JP Morgan transactions for Constantia was the largest deal announced during the quarter at $631 million, with the goal of benefiting from the international growth potential of the target. As the US economy and other advanced economies enter a tentative recovery, it is likely that acquirers from these countries will display continued fortitude by entering into a greater number of M&A transactions than in recent periods.

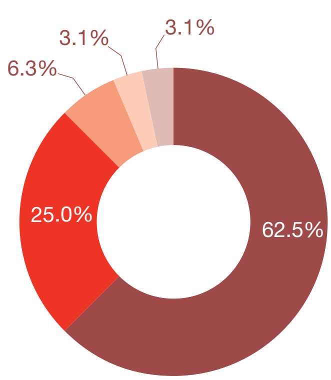
Regional distribution of deals by target region
Measured by number of deals worth $50 million or more (4Q09)



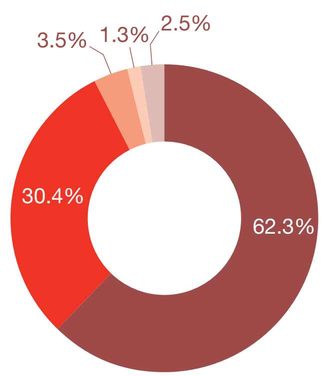
Regional distribution of deals by target region
Measured by value of deals worth $50 million or more (4Q09)



Regional distribution of deals by acquirer region
Measured by number of deals worth $50 million or more (4Q09)



Regional distribution of deals by acquirer region
Measured by value of deals worth $50 million or more (4Q09)



Asia & Oceania | North America | South America | UK & Eurozone | Europe ex-UK & Eurozone | Africa/Undisclosed

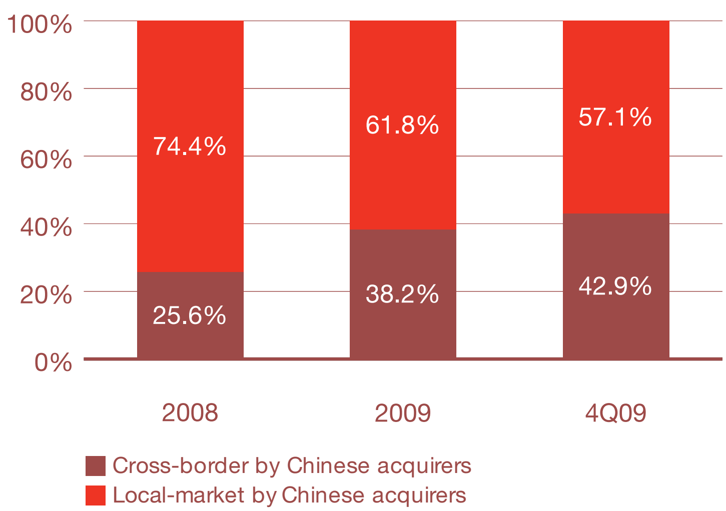
Asia and Oceania region dominates among targets, acquirers

The regional distribution of deals by acquirer and target region indicates that Asia and Oceania entities accounted for the majority of deals by both value and number in the fourth quarter. The resurgence in deal interest from US companies also contributed substantial deal activity. The two JP Morgan transactions, through private equity firm One Equity Partners, for Constantia Packaging drove the relatively high proportion of deal value and volume targeting UK and Eurozone entities.

Asia and Oceania entities are likely to continue to account for a large amount of metals deal activity in 2010. This is because of interest in outbound resource deals by China, as well as the importance of Australia as a consolidator in the sector.

Cross-border vs. local-market deals
Measured by number of deals worth $50 million or more

Cross-border vs. local-market deals by Chinese acquirers
Measured by number of deals worth $50 million or more



More overseas transactions likely in future periods

The relative level of cross-border to local-market deals indicates that acquirers demonstrated a greater preference for targets within their home nations during 2009. This can be attributed to a greater sense of risk aversion, which can lead to a desire for deals that are more likely to provide synergies from asset overlap. As the operating environment improves, acquirers of all nations can be expected to feel more comfortable in looking to foreign geographies for potential deals.

In contrast, Chinese acquirers have already increasingly looked outside their local markets to secure access to natural resources, which has led to an interest in mining deals. While Chinese acquirers will likely continue to target overseas resource assets, the rationale for local-market steel consolidation is strong. Such M&A would help producers negotiate from a position of greater strength against a consolidating base of iron ore suppliers. These local-market deals should be more prominent in 2010, with China's policy makers generally supportive of domestic steel M&A transactions to improve the bargaining power and efficiency of the industry.

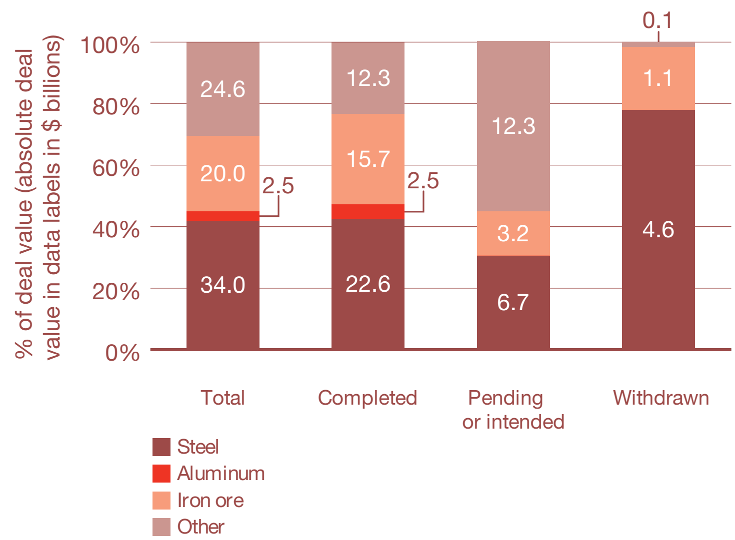
Nonaluminum companies see most M&A in 2009

One prediction in previous editions of *Forging ahead* was that deal activity would focus on targets outside the aluminum category because of the relatively consolidated state of the aluminum industry. This held true in both 2008 and 2009, with a more diversified range of deal activity by metals category during the former period and a greater interest in iron ore targets during the latter period.

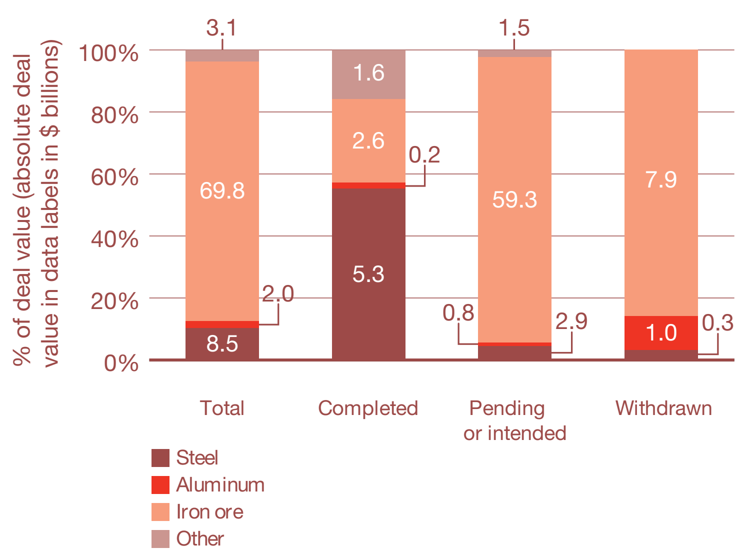
Iron ore deals in 2009 included announced transactions involving BHP Billiton, Rio Tinto, and Chinalco. The Chinalco proposed acquisitions were subsequently withdrawn in favor of a pending joint venture between BHP Billiton and Rio Tinto.

In 2010, it is likely that deal activity will involve more steel constituents than in the recent past based on the relatively high fragmentation within this category.

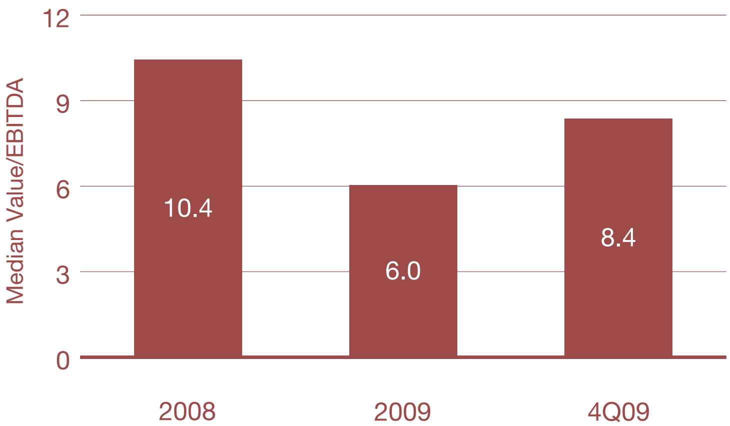
Deals by target metal category - 2008
Measured by value of deals worth $50 million or more



Deals by target metal category - 2009
Measured by value of deals worth $50 million or more



Deal valuation by median value/EBITDA
Measured by value/EBITDA for deals worth $50 million or more for which target EBITDA was publicly disclosed



Values to EBITDA climb for quarter

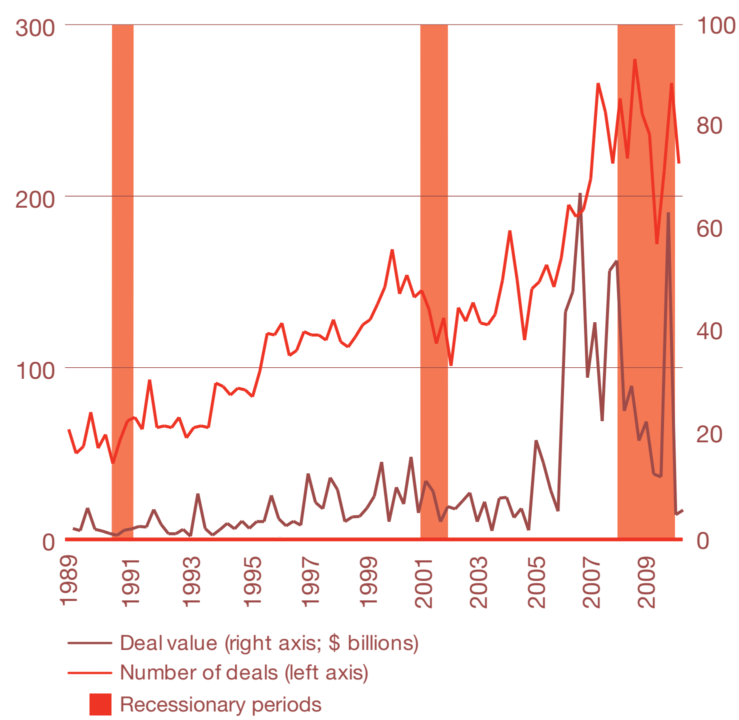
Deal valuations in the fourth quarter, as measured by deal value/EBITDA, exceeded the 2009 overall level but remained below the multiple of 2008. The publicly available sample of deal value to EBITDA data was limited in each period (36, 18, and seven deals for 2008, 2009, and the fourth quarter of 2009, respectively); thus, the median was selected as a measure of central tendency to reduce the influence of outliers. The reversal in median value/EBITDA indicates that a bottoming in valuations for metals targets has likely occurred, with the upward movement in valuation supported by higher commodity prices, improved equity markets, and generally easier credit conditions.

As recessions end, activity normally sees a boost

The historical pattern of metals M&A activity after the past two US recessions has been one of general improvement. US recessions are used in this chart as a proxy for global economic downturns. Metals activity as measured by both the value and number of deals increased following the 1990-1991 recession; and activity as measured by the number of deals also increased in the quarters after the 2001 recession, though deal value remained muted for the next several years. The spike in deal value during the second quarter of 2009 reflects the $58 billion Rio Tinto-BHP joint venture.

The improvement in demand for metals products should provide an impetus for M&A activity in the sector. However, the depth of the recent recession and overhang related to the leverage bubble represent limiting factors that could encumber a more substantial and timely recovery than occurred after the past two recessions.

Historical metals deal activity and the business cycle
Measured by number and value of all metals deals (1989–2009; quarterly observations)



Moving your company forward with the economy

As the world rapidly changes and becomes more complex, industrial products companies are seizing opportunities to reexamine their businesses. They are looking for ways to squeeze more performance from technology and processes and advance their strategic goals. These are companies actively engaged in change — adjusting to a global marketplace, new reporting standards, evolving regulations, expansion, contraction, and foreign operations.

A year ago, the global recession was deepening and credit markets were almost frozen. Struggling companies looked to carve out and sell portions of their operations to generate needed capital or exit noncore business units. This environment presented extraordinary opportunities for companies with strong balance sheets and available capital to expand market share and increase profitability.

M&A activity over the past few years has been strong as the metals industry consolidated to improve its financial strength, increase negotiating power with customers and suppliers, and boost capacity utilization. Companies focused on rationalizing operations and building core activities and assets through acquisitions, divestitures, carve-outs, privatizations, and other transactions. As the industry consolidates, new opportunities are arising for multinational firms to expand into global markets.

Change is the answer to a new beginning, but where to begin?

Capturing the benefits of change requires insight into its potential to impact the enterprise as a whole. This means strategy, structure, people, processes, and technology. To move from strategy to execution, companies need to translate strategy into practical results while avoiding major disruptions to ongoing operations.

PwC Advisory professionals understand the fundamentals of creating, capturing, and measuring value. We know how to address people, processes, strategy, structure, and technology in an integrated fashion, and we can help you execute your plans —across functions and the organization.

From enterprise-wide process improvement to sustainable cost reduction; from transactions that capture and create value to rapid crisis response; from strategic IT solutions that align with business needs to cost-effective talent management and sourcing, the mission of our Advisory practice is to help business leaders anticipate, create, and manage change.

How PricewaterhouseCoopers can help with M&A

Whether the business objective is to diversify products or services, enter new markets, or achieve revenue or cost synergies, many difficult choices are associated with making the right M&A decision.

The strategy professionals within PwC’s Transaction Services practice help clients to align and clarify senior management teams’ strategic priorities for organic and inorganic growth. Advisory services are offered in commercial due diligence, M&A strategy, and growth strategy and innovation.

Once management’s priorities are determined, PwC can assist by identifying potentially attractive industry and product sectors and working with top management to refine screening criteria and produce a short list of best-fit acquisition targets that match priorities.

Clients gain the information they need to strengthen their deal pipelines, become more credible and proactive bidders, and potentially avoid bad deals. Clients also benefit from the convenience of a single advisor and point of contact who has commercial and financial proficiency, as well as deep experience ranging from strategy to deal due diligence to postdeal integration.

Specialty case study:
Effective acquisition integration

Client: A private equity firm needs help in integrating a global metals product company

Client issue	Before acquiring a division of a multibillion-dollar global mining conglomerate, a leading private equity firm engaged PwC to conduct a due diligence review across all functional areas such as finance, human resources, information technology, insurance, and tax. The assessment was critical to the client's goal of turning the acquired division into a successful, stand-alone public company. Potential areas of post-acquisition risk related to the company's time-consuming, error-prone, and manual financial reporting processes were exposed during the pre-deal due diligence work. A post-acquisition project was launched so the new company would have robust processes and scalable system support for detailed management reporting capabilities.
Approach	The objective of this initiative was to create a plan to address operating system issues and provide practical solutions that could be implemented quickly with limited technology changes to meet current and future reporting requirements. Recommendations were developed based on interviews and data requests on the financial close-to-report environment. To help the client improve or change processes, an analysis was conducted of the key close calendar tasks, financial statements, finance organization design, internal financial specialists, internal audit, corporate reporting, and technology. Close collaboration between the client and PwC helped the client implement the recommended solutions. To eliminate errors and streamline closing and reporting processes in one of the company's divisions, various electronic workbooks critical to the close process were remediated and stabilized. Tools also were developed to create templates, map charts of accounts, and structure the close-to-report process to facilitate greater efficiency. A chart of accounts mapping and the data dictionary was also developed to help the company provide consistent reports across all of its divisions.
Impact	As a result of PwC's work, the acquired company can meet reporting requests from the private equity owner, as well as comply with upcoming external reporting requirements such as SEC filings. Organizational changes also enabled the company to have a greater degree of oversight into its financial organization, which enhanced accountability during critical close times. A close tool kit provides the acquired company with structure and governance around the close-to-report process by highlighting key deadlines and responsible parties. The automation of the close also limits the manual effort required to maintain and update the schedule for the monthly close process. Finally, PwC provided the acquired company with a way to map its chart of accounts and account definitions to enable accurate and consistent reporting across the entire organization.

PricewaterhouseCoopers' metals experience

Deep industry experience

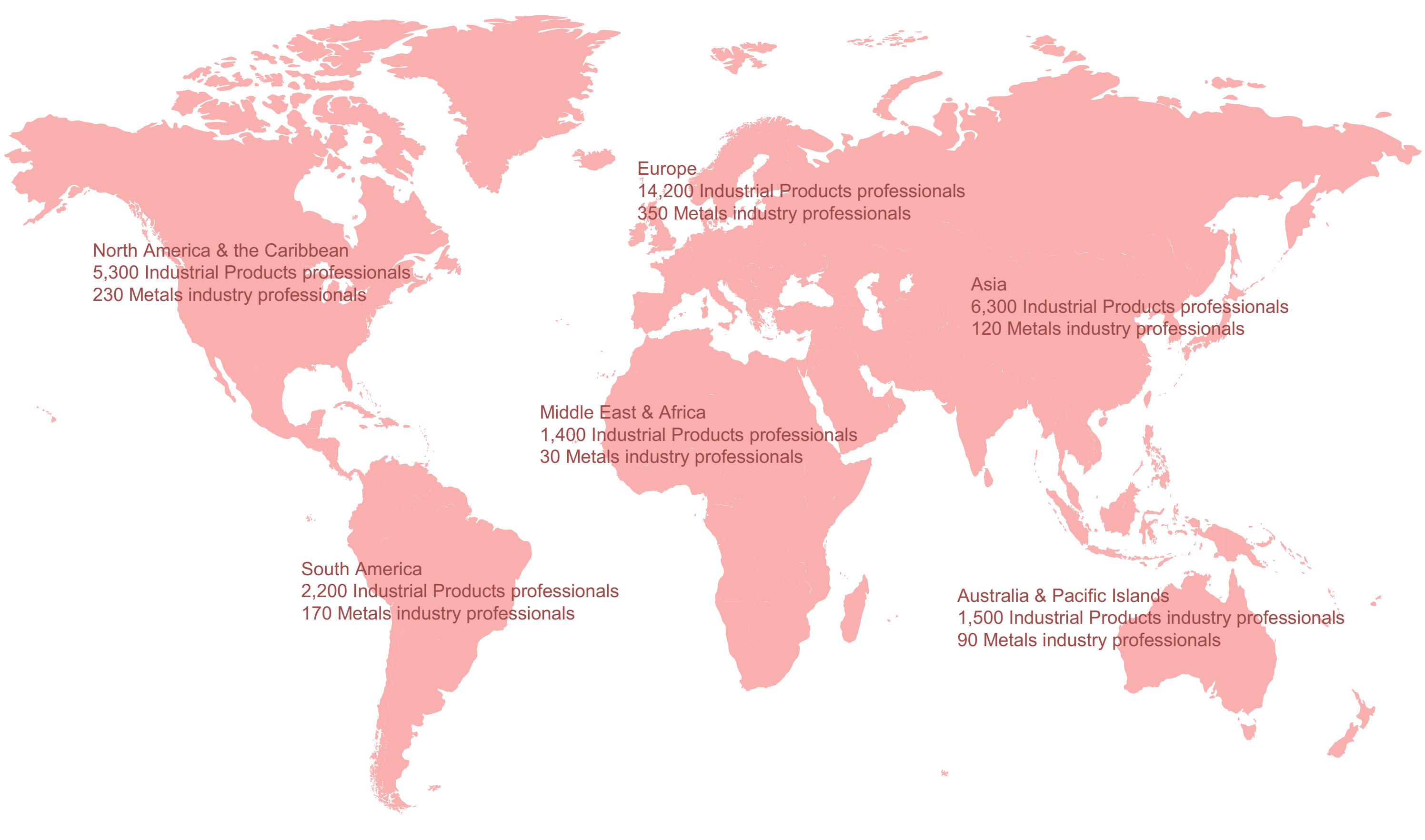
PwC continues to have the leading Fortune Global 500 market share in the metals industry. Our Metals practice serves ferrous and nonferrous primary and secondary metals producers through a network of 1,000 professionals strategically located around the world. Central to the successful delivery of our services is an in-depth understanding of today's industry issues, in addition to a wealth of specialized resources and "best practices" that help in solving complex business challenges. Our highly skilled team encourages dialogue on top-of-mind trends and issues through active participation in industry conferences and associations, such as the American Iron and Steel Institute, as well as through industry-focused publications and Web forums. To address your industry needs wherever they arise, our specialists are concentrated in areas where the metals industry operates today and in the emerging markets where it will operate in the future.

Quality deal professionals

PwC's Transaction Services practice, with more than 3,800 dedicated deal specialists worldwide, has the right industry and functional experience to advise you on all factors that could affect the transaction, including market, financial accounting, tax, human resources, operating, IT, and supply chain considerations. Teamed with our Metals practice, our transaction specialists can bring a unique perspective to your deal, addressing it from a technical aspect as well as from an industry point of view.

Local coverage, global connection

In addition to nearly 1,000 professionals who serve the metals industry, our team is a part of an expansive Industrial Products group that consists of 31,000 professionals, including approximately 15,800 providing assurance services, 9,000 providing tax services, and 6,200 providing advisory services. This expands our global footprint and enables us to concentrate efforts in bringing clients a greater depth of talent, resources, and know-how in the most effective and timely way.



Contacts

PricewaterhouseCoopers Global Metals practice

PwC's Metals practice provides industry-focused assurance, tax, and advisory services. Through our global network, we can draw upon the in-depth industry experience of specialists in every country in which your company operates. Our people can help you deal with the challenges of today, and they understand the implications for tomorrow.

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PricewaterhouseCoopers Global Transaction Services practice

PwC's Transaction Services practice offers a full range of tax, financial, business assurance, and advisory capabilities covering acquisitions, disposals, private equity, strategic M&A advice, advice on listed company transactions, financing, and public-private partnerships.

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Methodology

Forging ahead is an analysis of merger and acquisition activity in the global metals industry. Information was sourced from Thomson Financial and includes deals for targets with primary SIC codes that fall into one of the following industry groups: iron ores; ferroalloy ores, except vanadium; steel works, blast furnaces, rolling mills, and finishing mills; iron and steel foundries; primary smelting and refining/nonferrous; secondary smelting and refining/nonferrous; rolling, drawing, and extruding/nonferrous; nonferrous foundries; miscellaneous primary metal products; and metals service centers and offices.

This analysis includes all individual mergers and acquisitions for disclosed or undisclosed values, leveraged buyouts, privatizations, minority stake purchases, and acquisitions of remaining interest announced between January 1, 2007, and December 31, 2009, with a status of completed, intended, partially completed, pending, pending regulatory approval, unconditional (i.e., initial conditions set forth by the acquirer have been met but *deal* has not been completed), or withdrawn. The term deal, when referenced herein, refers to transactions with a disclosed value of at least $50 million unless otherwise noted.

Regional categories used in this report approximate United Nations (UN) regional groups, as determined by the UN Statistics Division, with the exception of the North America region (includes Northern America, Latin America, and the Caribbean UN groups), the Asia and Oceania region (includes Asia and Oceania UN groups), and Europe (divided into United Kingdom and Eurozone and Europe ex-UK and Eurozone regions). International Monetary Fund classifications were used to label economies as advanced or developing and emerging. Overseas territories were included in the region of the parent country. China, when referenced separately, includes Hong Kong.

Competing deals, not just the ultimate successful deal partner, were included in the data set used throughout the document.

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