

# Forging ahead

## Third-quarter 2009 global metals industry mergers and acquisitions analysis

Climate change: Shifting the business environment  
beyond corporate responsibility



Welcome to *Forging ahead*, PricewaterhouseCoopers' quarterly analysis of mergers and acquisitions (M&A) in the global metals industry. In addition to a detailed summary of M&A activity in the third quarter of 2009, we supplement this issue with a special report that addresses the impact prospective energy and climate policies may have in business transactions. Included in the discussion is the role of cap-and-trade in climate change legislation, how the deal market is responding, company brand and reputation considerations, and the interests of increasingly environmentally-aware stakeholders.

# Special report: Sorting out the carbon effect on deal activity

Until recently, the impact of climate change policy on the deal market was barely on the radar of most businesses. But as national policy action on greenhouse gas emissions begins to take shape, metals companies, in particular, must pay close attention to the economic consequences of the proposed legislation when planning and executing deal strategy. They also must think about how competitors working in unregulated countries could affect their businesses.

Regardless of the ultimate policy design, the fact remains: When greenhouse gases (GhGs) are regulated, the cost of carbon will have a measurable impact on business decisions, from capital allocations to mergers and acquisitions (M&A) strategy. Although significant uncertainty exists about the final format of the proposed environmental policies, some form of constraints on GhG emissions will likely be imposed on businesses operating in the United States.

If a cap-and-trade system is implemented, it will require companies to measure and account for their greenhouse gas emissions and credits. Metals companies will need to inventory their carbon footprint and learn how to manage carbon to minimize the impact of any resulting liability or maximize the value of any resulting asset. They will need to be able to identify what will be financially material and what they will need to disclose. They also will need to be able to distinguish a risk from an opportunity.

Among metals companies that participated in the 2009 Carbon Disclosure Project, many raised concerns about investments, capacity, and production possibly moving to jurisdictions with lax or absent environmental regulations. But as US policy makers contemplate trade measures to counter the deleterious consequences of environmental-jurisdiction shopping by global corporations, they might also escalate conflicts with trade partners such as China, India, and Brazil.

Metals companies also cited as a concern the time involved to develop new technologies to meet carbon emissions caps. On the other hand, many metals companies cited increased demand for more expensive lightweight and high-strength metals products as a potential positive outcome of carbon regulation.<sup>1</sup>

Regardless of what happens to climate change policy, many metals companies have started to take action to minimize their carbon footprint and capitalize on opportunities. By embarking on “no regret” initiatives—initiatives they would want to complete regardless of whether any action is mandated—metals companies will be prepared to deal with possible reporting, compliance, and audit requirements relating to carbon emissions. No regret initiatives include voluntary company actions, such as reducing energy costs or improving process efficiencies, that have the added benefit of reducing pollution.

## Will cap-and-trade be a part of climate change legislation?

On June 26, 2009, the House of Representatives approved the American Clean Energy and Security Act of 2009 (known as the Waxman-Markey bill), which features a cap-and-trade program. The bill faces opposition in the Senate, where strong geopolitical concerns from both Democrats and Republicans may have a significant impact on its requirements. Additionally, the recent emphasis on US healthcare reform, along with a persistent weakness in the labor market, has shifted the focus away from climate change legislation.

As interest in climate policy wanes, the public concerns about the environment continue to grow. The Obama administration is also under pressure to offer some form of “green” legislation to the United Nations Framework Convention on Climate Change in Copenhagen, Denmark, in December 2009.

<sup>1</sup>Carbon Disclosure Project 2009 S&P500 With Industry Snapshots

In September 2009, Senators John Kerry and Barbara Boxer introduced a bill that includes a cap-and-trade system that would require a 20 percent reduction from 2005 emissions levels, compared with a 17 percent cut included in the Waxman-Markey bill.

The Environmental Protection Agency (EPA) is also taking steps toward greenhouse gas regulation. In March 2009, the EPA set in motion a rule that would require certain companies—including suppliers of fossil fuels and industrial chemicals; manufacturers of motor vehicles and engines; and other large, direct emitters—to report their greenhouse gas emissions regularly beginning in 2011. The EPA administrator signed the final Mandatory Reporting of Greenhouse Gases Rule on September 22, 2009, and sources of GhGs must begin their monitoring on January 1, 2010.

Additionally, the EPA's proposed endangerment finding<sup>2</sup> under the Clean Air Act ensures that legislative inaction by the Senate on a cap-and-trade bill does not preclude its own mandates to reduce greenhouse gases. However, PricewaterhouseCoopers believes metals companies may find cap-and-trade legislation a solution preferable to the EPA regulation of greenhouse gases under the Clean Air Act. In our view, an EPA regulation has the potential to require companies to meet specific performance standards on emission controls based on the best available technology. In contrast, a cap-and-trade system may allow participants to seek the most cost-effective measures to reduce carbon, which could lower compliance expenses in aggregate.

## Climate change legislation can be a driver behind deal valuation

Although pending climate change legislation needs to be considered in any deal, it is becoming one of the drivers behind certain valuations—especially in heavy-emitting sectors—in anticipation of demand for alternative energy and regulation to reduce emissions. The impact of climate change legislation on the valuation of a company must be properly assessed during due diligence to understand possible future climate change compliance costs and benefits resulting from credit trading.

Understanding how a target's business is affected by climate change should be an integral part of an acquirer's risk management strategy and due diligence. When deciding whether to provide financing, financial institutions have started assessing the possible effects of climate change policy on a business. Companies looking to complete an acquisition should do the same. In more and more deals, the potential impacts of climate change legislation on earnings, cash flow, and target valuation, as well as any opportunities for cost reductions through synergies, should be thoroughly evaluated.

Furthermore, valuation is expected to be a significant issue in renewable energy deals. The valuation of renewable energy development assets can vary considerably depending on the stage of development and the likelihood of commercialization of the pipeline (e.g., wind, geothermal, biomass, or other types of generation). Companies may be less willing to pay for assets that are in early-stage development and have not obtained the initial required consents. These factors should not be overlooked in the diligence process and should be thoroughly assessed for valuation purposes.

<sup>2</sup>US Environmental Protection Agency, April 2009

## A climate change call to action

In addition to assessing the effect climate change has on valuations, companies must consider reputation, branding, and stakeholder interest. While climate change affects various companies in different ways, all organizations are impacted by environmentally aware stakeholders including investors, communities, employees, and nongovernmental organizations (NGOs). Because the democratization of information has the ability to rapidly influence public perception of a company's brand, devising an effective strategy on climate change is essential in managing a company's reputation.

In addition to brand and reputation considerations, the metals industry's response to indirect emissions, through its purchase of raw materials and electrical power, is of greater importance than its direct emissions. Therefore, metals companies look for opportunities to recycle, new technologies that reduce waste and improve processing efficiency, and cheaper sources of raw materials.

The challenge for industrial products companies is to anticipate how they will operate in a carbon-constrained environment. They need to discern whether their product inventories are right, assess to what degree those products will be exposed to climate change regulation, and develop a least-cost compliance strategy.

To metals company executives and corporate development teams, climate change is not about the science; it is about the need to appreciate how climate change regulation affects their businesses, the information they report, and the impact it may have on deal value.

## Perspective: Thoughts on deal activity in the third quarter of 2009

Third-quarter analysis of global metals deal activity indicates that although the pace of mergers and acquisitions for metals targets has not yet experienced a sustained improvement, it has not slowed further during 2009 when measured by the number of announced deals.

Additionally, deal sizes have remained mostly anemic in this capital-constrained environment. For example, only one large deal was announced during the third quarter of 2009. This transaction was Vale's purchase of an incremental stake in the ThyssenKrupp CSA joint venture, which benefits Vale because it will be the exclusive supplier of iron ore to the venture.

In previous reports, we indicated our expectation that acquirers would continue to favor local-market deals because of the potential for protectionist sentiments and companies' desire to create more certain synergies. This expectation continues to hold true, with the majority of deals announced in the third quarter being those within national borders.

We have also previously addressed China's greater role in cross-border acquisitions; the withdrawn Chinalco-Rio Tinto deals were the most noteworthy examples so far this year. While Chinese acquirers will likely continue to look overseas to meet their resource needs, the strategic rationale for domestic consolidation, particularly among steel producers in response to a more concentrated set of iron ore suppliers, should be conducive to local-market deal activity. One impetus for these deals could be the Chinese government's upcoming revision to its guidelines for domestic steel consolidation. The new guidelines are expected to reduce inefficient steel capacity and address the concern of local governments about receiving lower tax revenues as a result of acquisitions.

The credit and operating environments for metals companies have shown signs of more favorable trends, including an increase in credit market liquidity and higher aluminum and steel prices. In addition, improving stock market performance could play a role in supporting M&A activity, because historically these variables have tended to be associated with each other. Although we note that the pace of metals deal activity has historically tended to pick up after recessions, the depth of this recession and the prospects for a slow economic recovery may limit improvement in metals deal activity.

# Commentary

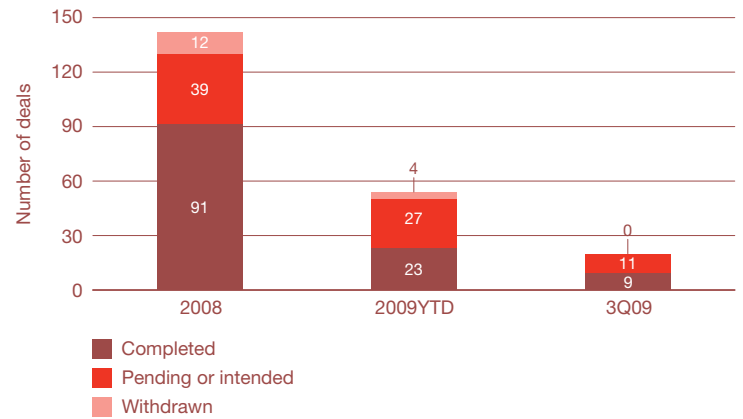
## Uptick in number of deals, downtick in value

The pace of deal activity as measured by the number of announced deals for metal targets has picked up only slightly in 2009. Twenty deals were announced in the third quarter, compared with 18 deals and 16 deals announced in the first and second quarters, respectively.

As measured by deal value, the pace of deal activity has slowed somewhat over the course of 2009. In the third quarter, \$3.5 billion in deals were announced, compared with \$74.5 billion in the first half of 2009. However, if the \$58 billion BHP-Rio Tinto joint venture (which was primarily funded through a contribution of iron ore assets in Australia) and the related but withdrawn transactions involving Rio Tinto and Chinalco are excluded from the deal value, the pace of deal value announced during the third quarter declined only slightly compared with the first half of 2009.

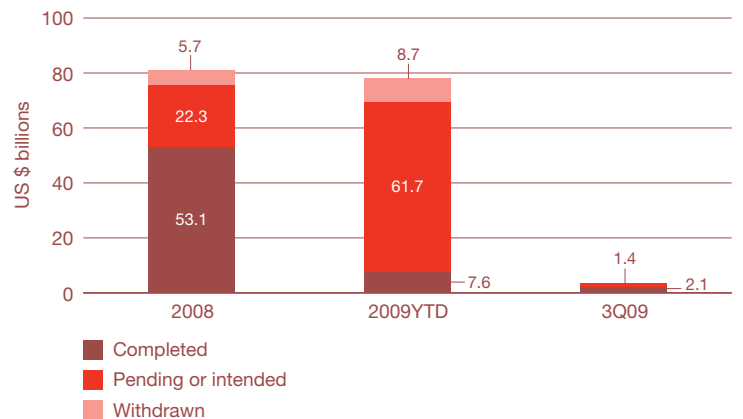
## Deal activity by number of deals

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



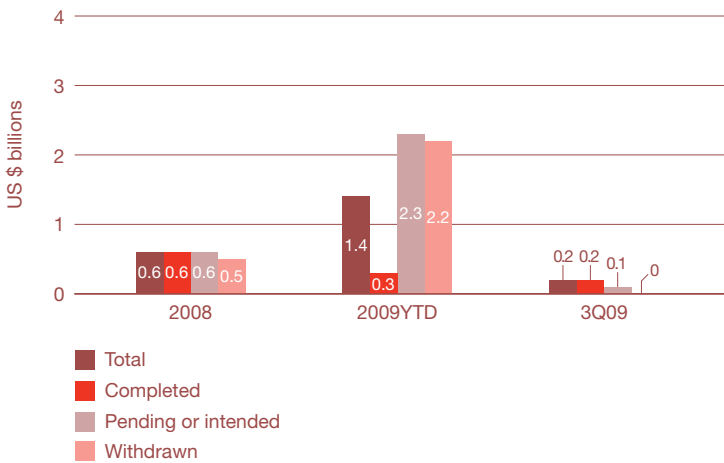
## Deal activity by total deal value

Measured by value of announced deals worth \$50 million or more



### Deal activity by average deal value

Measured by value of announced deals worth \$50 million or more



### Deals trend smaller and close to the vest

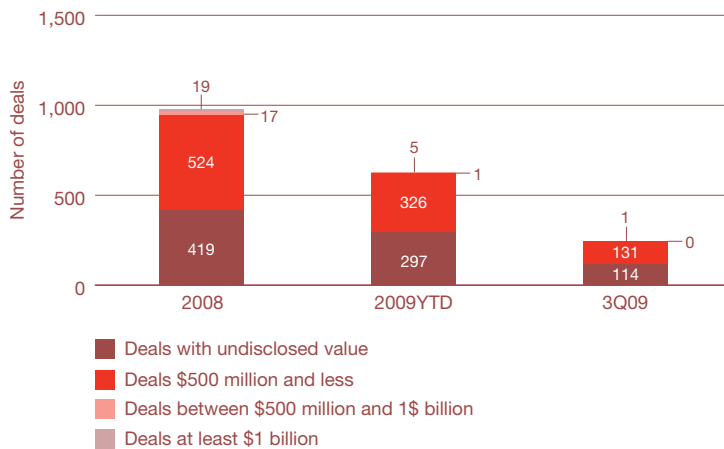
The trend in average deal value, when considered in conjunction with the trend in activity by number of deals and range of their value, indicates that the focus on metals targets continues to shift toward smaller deals and deals with undisclosed values. A total of 246 deals with disclosed or undisclosed values were announced during the third quarter, which, if annualized, would approximate the 979 deals announced during all of 2008.

The large average value of withdrawn deals in the 2009 YTD period primarily results from the withdrawal of several large deals involving Chinalco and Rio Tinto. The large average value of pending deals is due to the BHP and Rio Tinto iron ore merger.

There has been a moderate decline in average deal values between 2008 and the third quarter of 2009, driven by fewer large deals, as acquirers have become more risk-averse, as well as a general decline in commodity prices.

### Deal activity by number and size of deal value

Measured by number of announced deals



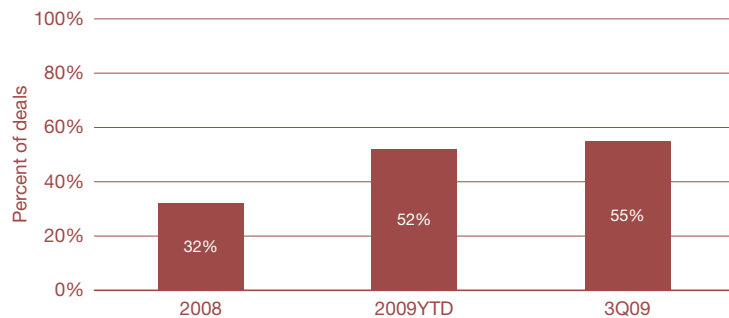
## Controlling-interest M&A takes a back seat

The increase in minority stake deal announcements has continued through 2009 and into the third quarter compared with 2008. This is a trend that was predicted in previous editions of *Forging ahead*.

Looking forward, minority stake purchases are likely to account for a large proportion of deal activity until buyer confidence improves and acquirers gain the financial wherewithal to engage in more deals that target controlling interests.

## Minority stake purchases

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



## Scarce large deals focus on iron ore, steel making

Evidence of the aforementioned trend toward smaller deals can be found in the large deal tables for 2008 and 2009. Large deals are defined for the purposes of this report as deals with a disclosed value of at least \$1 billion. There were 19 large deals announced in 2008, which compares with only five during the first three quarters of 2009.

The three largest deals announced during 2009 were all related to transactions involving Chinalco, Rio Tinto, and BHP Billiton. The two large proposed deals in which Chinalco was the potential acquirer targeted a stake in Rio Tinto and its mining assets (of Hamersley Iron) through the purchase of convertible bonds and direct investments in the mines. Rio Tinto stepped away from this deal and instead chose to engage in a large iron ore joint venture with BHP Billiton. This joint venture should have positive implications for iron ore producers because it will increase concentration in this metals industry segment, with Rio Tinto-BHP Billiton and Vale essentially acting as a duopoly.

The fourth-largest deal announced so far in 2009 was the purchase of a remaining stake in Sidor by Venezuela's state-run holding Corporacion Venezolana de Guayana (CVG). The Venezuelan government, through CVG, had

taken control of Sidor in 2008, and this transaction represents the compensation for parent Ternium SA to turn over its remaining stake in the steel maker to the government. This was part of the Venezuelan government's strategy to re-nationalize the metals industry in that country.

The only large deal announced during the third quarter was the incremental stake by Vale in a steel joint venture with ThyssenKrupp. The joint venture, ThyssenKrupp CSA, is constructing the first large steel mill that has been built in Brazil since the 1980s; the mill is scheduled to begin production in 2010. One result of the transaction is that Vale will benefit from its position as the exclusive supplier of iron ore to this joint venture.

Looking forward, large deal activity is likely to remain torpid unless an economic recovery and further recovery in commodity prices from the lows of early 2009 encourage potential acquirers to move past their current focus on operating improvements and toward strategic M&A transactions.

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

Month announced	Target name	Target nation	Acquirer	Acquirer nation	Status	Value of transaction in US\$ bln	Category
Aug	OA0 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	Evrax 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	OA0 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	Panzhuhua Iron & Steel Co Ltd-Assets	China	Panzhuhua 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

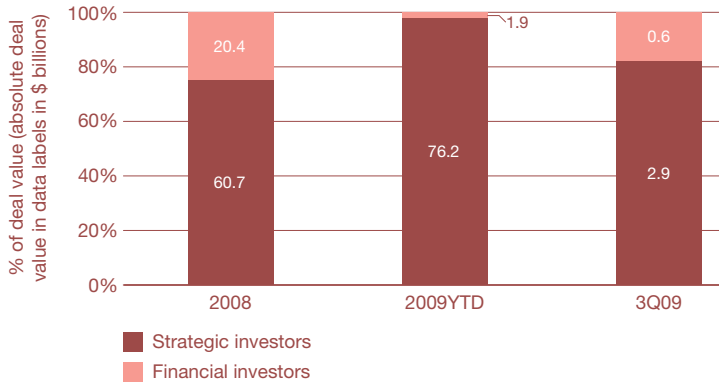
## Large deals in 2009YTD (value of \$1 billion or more)

Month announced	Target name	Target nation	Acquirer	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

# Chinese acquirers make financial investments

## Deals by investor group

Measured by value of announced deals worth \$50 million or more

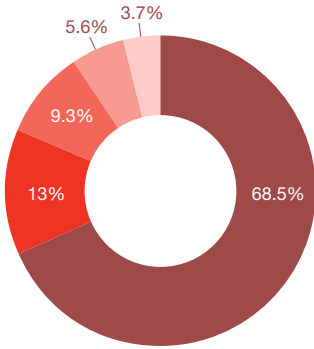


Strategic investors normally dominate the deal landscape for metals targets. For example, these investors accounted for 98 percent of deal value announced during the first three quarters of 2009. However, the proportion of deals ascribed to financial investors increased during the third quarter. This was driven by several deals involving Chinese acquirers, including the \$329 million minority stake in Minmetals Yingkou Medium Plate Co. by China Ping An Trust & Investment.

Many strategic investors remain on the sidelines. But it is likely that on a relative basis, these investors will continue to account for a large majority of announced deal value because of constraints on credit and the strategic rationale for building scale and consolidating the sector.

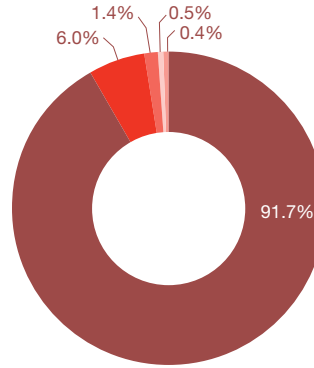
**Regional distribution of deals by target region**

Measured by number of deals worth \$50 million or more (2009YTD)



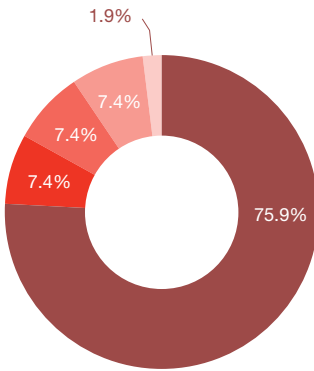
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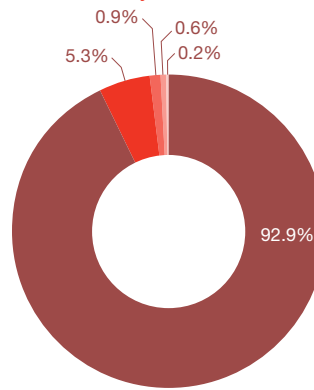
**Regional distribution of deals by acquirer region**

Measured by number of deals worth \$50 million or more (2009YTD)



**Regional distribution of deals by acquirer region**

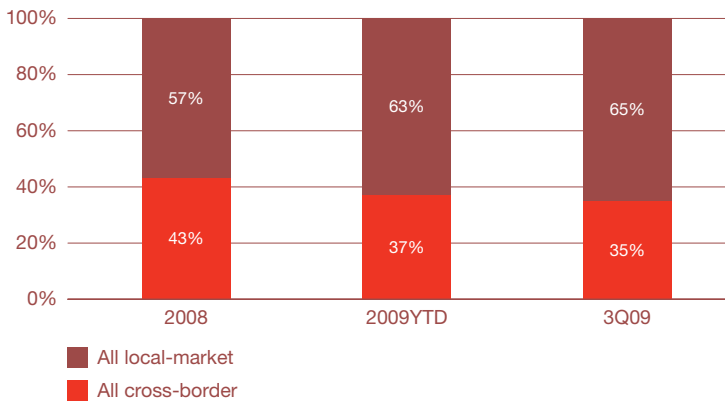
Measured by value of deals worth \$50 million or more (2009YTD)



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

### Cross-border vs. local-market deals

Measured by number of deals worth \$50 million or more



### Chinese active in both cross-border and local-market deals

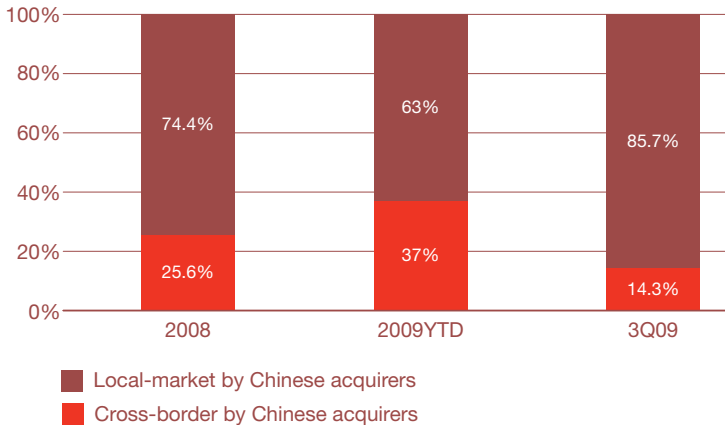
The regional distribution of deals indicates that activity continues to overwhelmingly involve acquirers in the Asia and Oceania region. Much of this concentration is the result of China's increased role in cross-border deals during the first three quarters of the year compared with 2008, with the Chinalco-Rio Tinto announcements having received the most attention. This trend of greater cross-border activity by Chinese acquirers in 2009 than in 2008 bucks the trend in the proportion of cross-border deals among all nations.

Overall cross-border activity is expected to remain relatively muted because acquirers may be less willing to engage in the incremental risks related to cross-border transactions.

Though China has shown that it is interested in cross-border acquisitions, it is likely that we will continue to see a fair amount of consolidation within the Chinese steel industry. This may help these companies negotiate from a position of greater strength against a consolidating base of iron ore suppliers. It may also result in a more profitable and synergistic steel industry. In fact, one of the goals of a steel industry support plan announced by the China State Council this year is to promote alliances and mergers in this fragmented industry. (Despite the World Steel Association ranking of China as the world's largest steel producer, the top 10 companies were estimated to produce less than 40 percent of China's total steel output.)

### Cross-border vs. local-market deals by Chinese acquirers

Measured by number of deals worth \$50 million or more

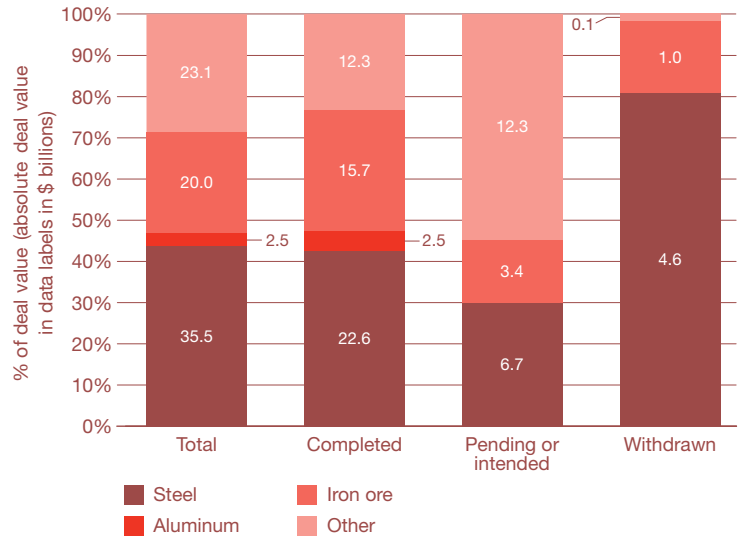


## Iron ore and steel favored for consolidation

Steel and iron ore targets accounted for the majority of deal value announced in 2008, and an even greater focus toward these targets was seen during the first three quarters of 2009. Much of the announced deal value was driven by the \$58 billion BHP-Rio Tinto joint venture; however, it is worth noting that each of the five 2009 large deals involved consolidation in the steel and iron ore categories. Given the high level of fragmentation in steel, it is likely that these categories will remain a relatively high focus of deal activity.

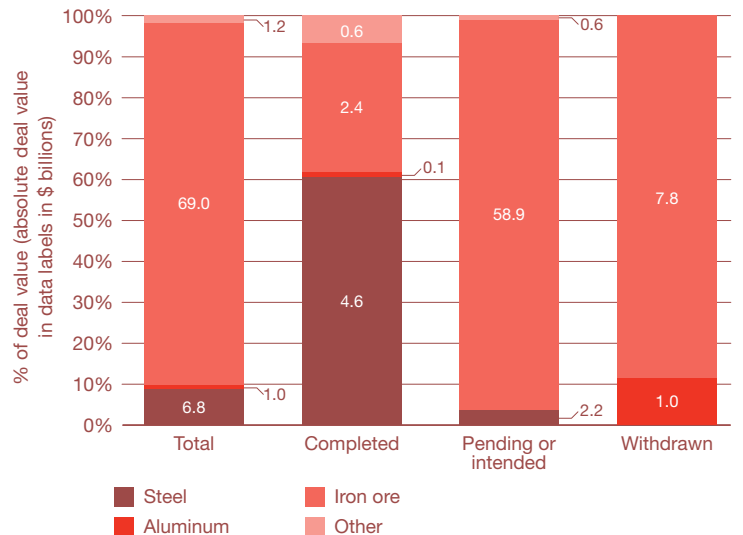
## Deals by target metal category – 2008

Measured by value of deals worth \$50 million or more



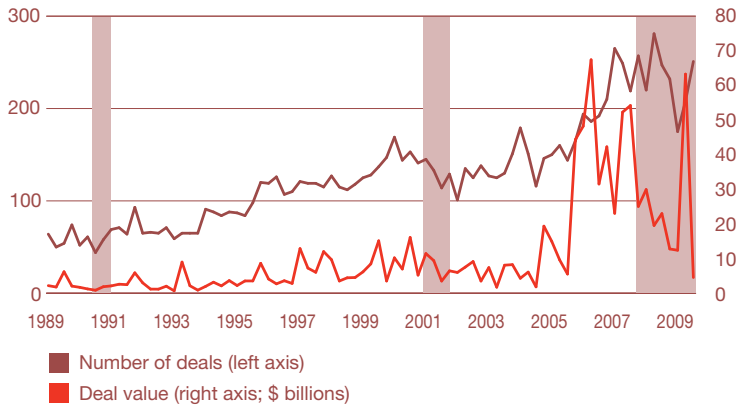
## Deals by target metal category – 2009YTD

Measured by value of deals worth \$50 million or more



### Historical metals deal activity and the business cycle

Measured by number and value of all global metals deals (1989-3Q09; quarterly observations)



Note: Shaded bars indicate recessionary periods

### Post-recession boost in M&A would follow historical pattern

The historical pattern of metals M&A activity coming out of 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 after the 2001 recession, though deal value generally moved sideways for the next several years.

It is difficult to forecast whether M&A activity could soon follow a similar pattern given the depth of this recession and the overhang related to years of significant balance sheet leveraging. However, it is reasonable to believe that an improving operating environment could provide a catalyst for companies to focus less on internal initiatives such as cost-reduction efforts and more on external, value-enhancing actions such as M&A transactions.

## Preparing your company to manage carbon as an asset

Although the United States has not yet passed comprehensive climate change legislation, 23 US states are either active in cap-and-trade systems or working to design them. Numerous bills have been introduced in Congress, with the most recent narrowly approved by the House of Representatives in June 2009.

Any system that places a monetary value on carbon requires companies to consider carbon management in their corporate objectives and growth plans. Whether organizations are directly or indirectly affected by comprehensive climate change regulation, they need to take practical steps to get ready. A good first step is to ensure internal financial teams understand the financial impacts of participation in cap-and-trade systems as part of setting a clear strategy that accounts for changes in climate laws and energy policy.

### What are the required first steps to prepare for a GhG cap-and-trade system?

- It is imperative to know your carbon footprint. Companies that have not done so should identify the sources, types, and magnitude of GhG emissions they produce and compare them with those of their industry peers. As outlined in *The Greenhouse Gas Protocol*,<sup>3</sup> developing a measure of your carbon footprint includes addressing the following:
  - Setting organizational boundaries: This relates to determining what approach to take when accounting for emissions from joint ventures, subsidiaries, and other organizations.
  - Setting operational boundaries: Companies need to determine the scope of emissions they will include in their reporting. *The GhG Protocol* divides these into Scope 1 (direct emissions), Scope 2 (indirect emissions, such as from purchased electricity), and Scope 3 (other indirect emissions, accrued via employee travel, waste, contractor vehicles, product use, etc.).
  - Determining a base year for carbon footprint reporting: This includes determining the timing of when a company should recalculate its emissions because of business changes—e.g., acquisitions or divestitures, new calculation methodologies, etc.
  - Identifying and calculating GhG emissions: This covers inventorying emissions sources, defining calculation methods and approaches, collecting data, selecting emissions factors, applying the calculation methods, and compiling the emissions data at the corporate level.
  - Addressing footprint quality: Companies should address issues such as quality/control as well as management review, and implementation of robust processes and controls for routine data collection and compilation.
- Companies should consider conducting an audit that includes all direct and indirect carbon emissions to understand where the best opportunities to reduce emissions may lie and to determine whether their role in carbon trading will be that of net buyer or seller.

<sup>3</sup>World Resources Institute and World Business Council for Sustainable Development, *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (March 2004): [www.ghgprotocol.org/files/ghgprotocol-revised.pdf](http://www.ghgprotocol.org/files/ghgprotocol-revised.pdf).

## Why is this issue so important?

Climate change legislation and the adoption of International Financial Reporting Standards are looming in the future. As North American companies either expand into countries where carbon is already regulated or are acquired by companies in those countries, they must take action to compete successfully in a carbon-constrained world.

American companies must recognize that the value of transactions can be significantly influenced by environmental factors, accounting concerns, and broader issues regarding corporate responsibility. Buyers and sellers want to know the environmental, social, ethical, and economic risks related to their transactions that can affect operating costs, compliance, and financial reporting.

## Our approach

PricewaterhouseCoopers' (PwC) Transaction Services group undertakes a systematic review of the risks and liabilities arising from a transaction and assesses their financial reporting impacts. This includes risks related to operational environmental performance, legal compliance, reputation, and stakeholder pressures. PwC also provides ongoing transaction support in negotiations and in the development of systems to manage significant risks and liabilities. In addition, we advise companies on sustainability and climate change-related financial accounting and reporting issues.

## Specialty case study: A global steel company looks to establish a corporate responsibility strategy

### Client: A global steel company

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Client issue	A global steel company identified corporate social responsibility (CSR) as a key business issue and needed help developing and implementing a strategy that would meet the expectations of the corporation's senior executives and its stakeholders.
Approach	<p>The PricewaterhouseCoopers client engagement team initiated a phased approach to creating and implementing a CSR strategy. First, a business case for sustainability was defined. This involved employing techniques to quantify the commercial potential for a "sustainable" product.</p> <p>Next, the PwC team helped the client understand its sustainability management practices across the business and in comparison to other steel companies. Through site visits and conference calls with management, a detailed analysis of seven sustainability areas was conducted to help the client identify gaps in management practice compared with best practices.</p> <p>The PwC team also conducted a series of workshops for the client to refine its sustainability strategy and vision and to identify sustainability risks and opportunities along the client's supply chain.</p>
Impact	The client is recognized as a leader in the field of sustainability and has implemented a CSR strategy for the workplace and the community that encompasses governance, financial reporting, and the environment. As a result of PwC's efforts, the client's CSR strategy now recognizes the potential to create shareholder value by demonstrating sustainability leadership within the industry.

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# PricewaterhouseCoopers' metals experience

## Deep industry experience

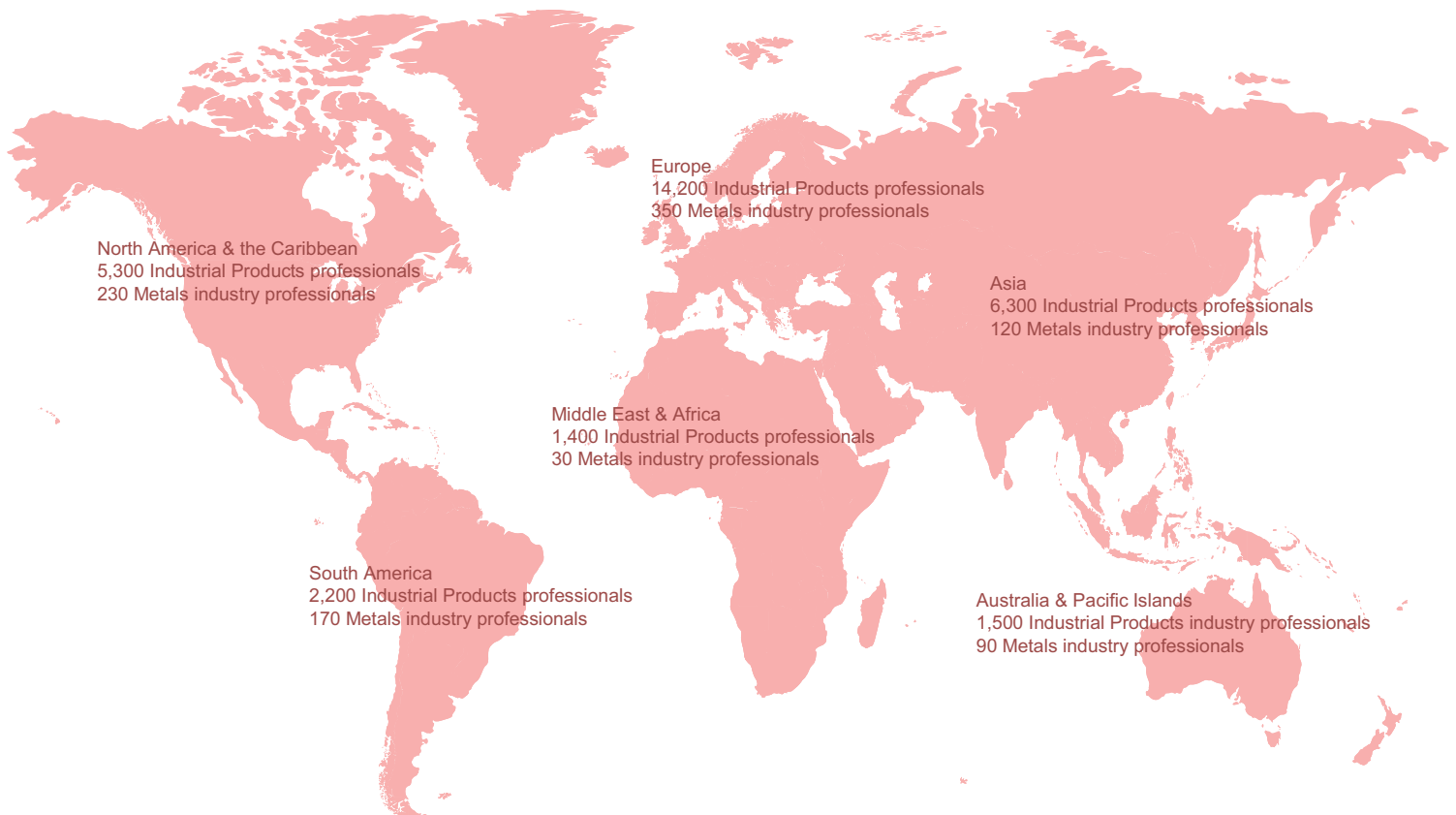
PwC continues to have the leading Fortune Global 500 market share in the metals industry. Our metals industry practice serves ferrous and nonferrous primary and secondary metals producers through a network of 1,000 professionals strategically located around the world. Central to the successful delivery 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 industry 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 the 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 Reuters 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, 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, 2008, and September 30, 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). 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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