

THE ROLE OF THE STEEL TRADER WITH SPECIFIC REFERENCE TO EUROPE

Moscow 2003

STEMCOR

Traders

Unfair!

Strange But True

Producers in the CIS use Traders

Necessary

Necessary to the Business.

Another Strange Point

- Free market
- Harness their competitive advantage
- Difficult export pricing
- Low capital availability

Another Perhaps Interesting Fact

Advertisement

“Any Advertising is Good Advertising”

Stemcor

- 1988 Stemcor separates from its German partner and becomes Stemcor.
- 1990 Stemcor decides to concentrate on its steel trading and distribution business.
- 1995 Stemcor develops its raw material trading capabilities.
- 1999 Stemcor decides to develop agency (commission basis) sales business.
- 2003 Stemcor finds itself one of the three leading independent steel traders in the world, with a market share in terms of metric tonnes of approximately 5%

About Stemcor

- 7 million tonnes
- 1.5 million tonnes of steel making raw material.
- Seven trading and 32 representative offices, in 28 countries.
- Stemcor enjoys facilities in excess of USD800m.

Other Highlights

- 2001 yielded a solid profit
- 2002 was our best year ever, and the volume of material which we handle continues to increase.
- 90% of our assets are liquid

Role of the Trader

- Provider of services primarily to steel producers
- The customers of the steel mills
- Suppliers of raw materials.

Role of the Trader cont.

- Marketing and distribution
- Logistics
- Financing
- Geographical
- Market Making

Role of the Trader cont.

- Position Trading
- “dirty”

Role of the Trader in Russia

- Marketing and Distribution
- Financing
- Logistics
- Geographical
- Market Making

The Future Role in Russia

- Finance
- Logistics
- Geographical - Quasi Domestic Markets
- Market Making

Products

- Costs of raw material
- Relative cost of moving semis versus end products
- Requirement for just in time delivery
- Quotas and import restrictions
- The shelf life of steel
- The requirement for varied small specifications

Products cont.

The Role of the Trader in Europe

- Effective conduit between the mill and the market.
- Match the aspirations and requirements of the mill with those of the customer.
- Domestic mill substitution.

The Role of the Trader in Europe cont.

Parity, or near parity with the domestic mills

The Role of the Trader in Europe cont.

- Focused services in Europe
- Develop port facilities to provide stocking, just in time delivery
- Inland transportation
- Finance for customers
- Customer care

European Customer Base

- Economy
- Safety
- Independence

Conflict of Interest

Without the critical volume afforded us by representing multiple mills, we would not be able to provide the service required

Conflict of Interest cont.

- We can work together despite these conflicts
- Enlist support of the mill most suitable for the market

Quotas, Tariffs and Non-Tariff Barriers

Quantities and Quotas

- Necessity to limit import
- Critical volumes
- Trader
- Representing the interests of multiple mills

Consolidation

A mask for restructuring

Traders and Mills

“Make Love Not War”