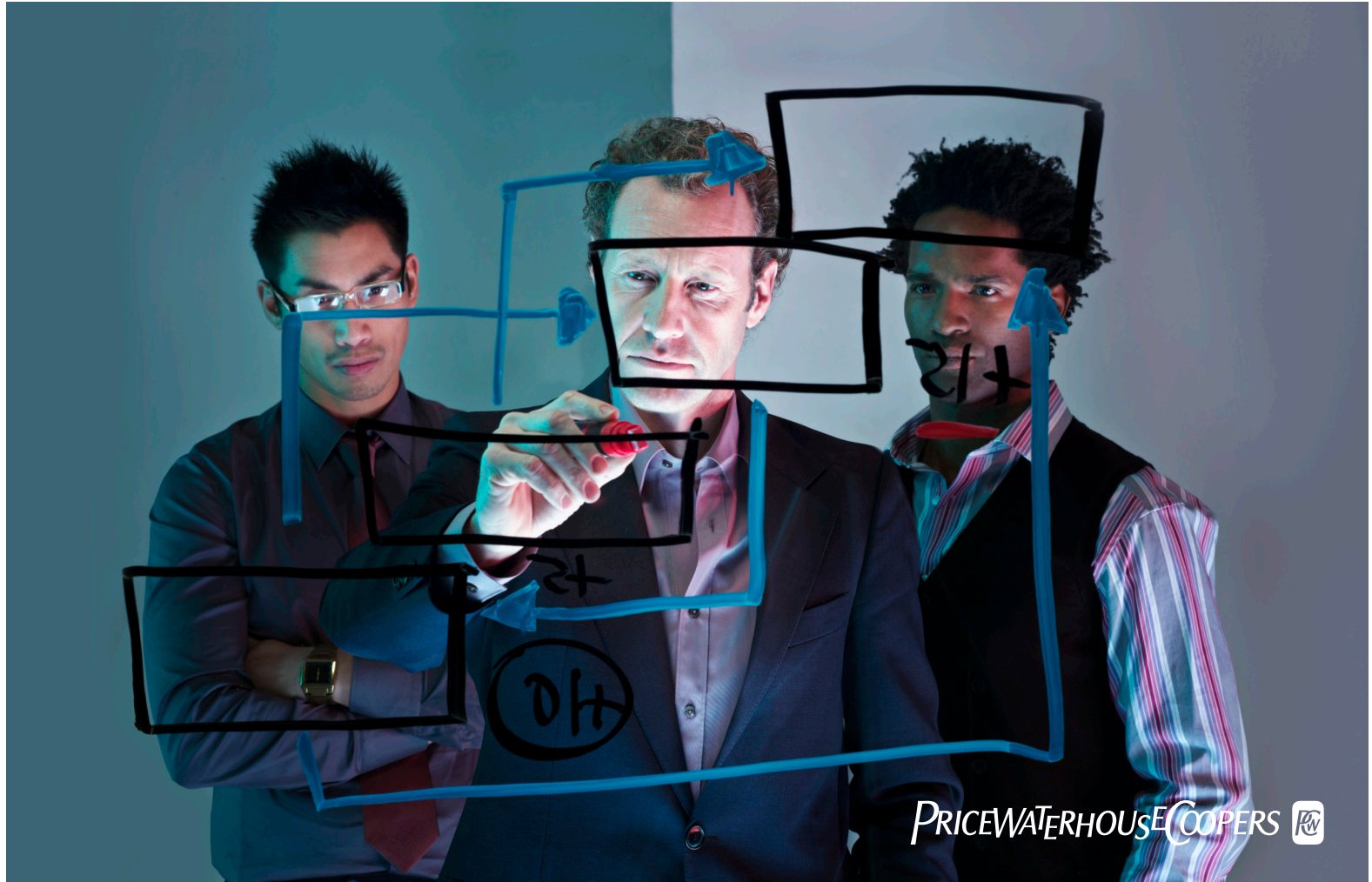


# Forging ahead

## Second-quarter 2010 global metals industry mergers and acquisitions analysis

Making better deals in a changing environment: Merger integration



Welcome to *Forging ahead*, our quarterly analysis of deal activity in the metals sector. The pace of metals mergers & acquisitions (M&A) activity continues to demonstrate improvement when measured by the number and value of announcements, particularly when adjustments are made for the impact of the \$58 billion BHP Billiton-Rio Tinto iron ore joint venture. This transaction, which was announced in 2009, remains under regulatory review as of this writing.

## Special report:

# Capturing synergies to maximize deal value

It's perhaps the hardest and most important part of a transaction. When done right, it unites two entities and improves the operating and financial benefits of nearly everyone involved, from the owners and investors to the employees. Often, the value of a deal is significantly influenced by the expected synergies to be achieved. But without a vision and a postdeal integration plan to capture these synergies, a merger integration is in trouble from the start.

In today's recovering economy, the merger integration planning process is critical to success. Metals companies must balance a desire to quickly reach the finish line with a need to systematically leverage synergies and contain costs. As the number of announced metals deals grows and as more companies enter this toughest phase of the deal process, organizations focused on outpacing their competitors can lose sight of the deal's objectives.

For metals companies, there are usually obvious synergies based on production capabilities and raw material supply. However, because most metals deals are cross border, there is an added complexity of not only integrating the operations, finance, and business processes, but also harmonizing or even redefining the culture. The integration of two metals companies also requires careful supply chain analysis to ensure end-to-end coordination so that the new company realizes the benefits of the transaction.

Multinational industrial products companies focused on optimizing core operations during the recession, and as they look forward over the next three to five years, acquisitions are seen as a key enabler for revenue growth. Having done acquisitions in the past, many of these companies are reflecting on how well those deals were executed, and they see opportunities for improvement—opportunities to execute a smooth transaction with an early realization of synergies.

Key issues faced by metals companies as they work toward merger integration include:

- People and change management

- Customer relationships
- Raw material self-sufficiency
- Plant locations and capacity optimization
- Supplier relationships
- Investor relations
- Workforce health and safety
- Environmental concerns
- Brand and reputation
- Social or community relationships

### The economic recovery highlights the importance of cost containment

During the economic downturn, metals companies spent considerable time and effort right-sizing their cost and organizational structures. Now that the economy is recovering, the time is ripe for acquisitions that provide greater access to markets or raw materials or stimulate revenue growth, keeping in mind that capturing value depends on making the most of each company's strengths, consolidating operations, and reducing costs.

During the integration phase, companies must guard against inadvertently adding unnecessary overhead by failing to recognize redundant processes. Instead, companies are challenged to stay lean and hold on to cost benefits achieved during the downturn. To meet that goal requires identifying and quantifying synergy targets. With a disciplined approach and the right tools, companies can accelerate the integration process and realize savings.

As companies are doing acquisitions, they must be focused, structured, and fast moving to take out excess overhead and leverage the economies of scale or cost advantages that businesses often obtain as a result of an acquisition. The value driver initiative could be combining the two back-office finance functions, or consolidating and implementing best practices that eliminate redundancy.

## Key challenges to a successful integration

Many companies struggle to successfully integrate after a merger, especially in several primary areas. These areas include people and change, cultural integration, and succession planning. Success can depend on how well a company tackles these challenges.

### *People and change*

Because the industry is cyclical, metals companies face long-term human capital management challenges, including a need for new talent and the aging workforce in the Western world. At the same time, a turbulent economic situation is bringing people-related costs into sharper focus. The generational gaps, combined with the difficulty of attracting and retaining talent, are a potential threat to business growth that must be addressed during the integration process. As metal companies expand their geographic reach by executing deals, they must also devote time to people issues so that the right people are in place on projects in diverse locations.

### *Cultural integration*

The rising demands for global mobility, as well as the organizational and cultural issues emerging from the dramatic pace of change in the past 10 years, put a spotlight on cultural integration. As metal companies continue their expansion into global markets, both into and out of countries like Brazil, Russia, India, and China, there must be an awareness of cultural issues and the potential risk they pose to deal success.

### *Succession planning*

Metals companies emerging from the economic recession may also be in the process of reviewing their core functions with an eye toward potential targets for outsourcing and shared services centers. As companies take action to outsource certain functions during the postmerger integration process, it is important to retain oversight of succession planning and staff evaluation.

### *Supply chain management*

When reviewing core functions, companies also have an opportunity to enhance their supply chains by acquiring a company with a more efficient supply chain, or one that provides greater access to raw materials. In these instances, the goal of the transaction is not to diversify the company's portfolio, but is focused on enhancing the supply chain as a way to manage commodity risk.

## Staying on track during the integration phase

During the integration phase, both companies must maintain their customer base. They can achieve that goal by making preparations during their due diligence process to define the marketing and sales strategy of the combined company. Once the deal is announced, they educate their sales force on how the deal will impact each customer segment. They also contact their most loyal customers from both companies to communicate ways the new company will better serve them and quickly provide a unified entity to the customer, particularly in areas of purchasing a complementary product or sharing a similar customer base with the acquired business.

It also is critically important for the finance function to deliver a centralized process for monitoring, tracking, and reporting synergies to ensure the new company stays on task and delivers measurable results. Companies depend on their finance function to structure the tracking to measure the capture of deal value, integrate business operations, maintain common controls, provide accurate and consistent financial reporting, ensure tax compliance, and establish interim legal structures and business processes that give new companies the flexibility they need to grow and thrive.

## Strategies for successful M&A integration

Companies that seek to achieve profound organizational change through a deal should consider the following strategies:

- **Manage diligence and integration in lockstep** — In a merger or acquisition, an integrated process for due diligence and integration can help companies better identify issues and opportunities.

- **Envision and plan for Day One** — During the deal process, companies that focus on all of the operational details for their new company will be well positioned to hit the ground running as soon as the deal concludes.
- **Secure leadership commitment** — When companies pursue transformation, it is essential to establish executive leadership both for the deal itself and for the organization going forward. This includes defining the span of control, responsibility, accountability, and reporting relationships. It is also important to identify best practices in process and leadership and adopt these without regard to which legacy company owned them.
- **Aspire to excellence in comprehensive deal communication** — How companies communicate about a deal, both internally and externally, matters. This includes the deal announcement, integration progress, and people plans.
- **Prioritize initiatives for maximum impact** — During a deal, companies that don't try to boil the ocean but rather focus on those projects that either generate revenue or drive down cost tend to be more successful in their efforts
- **Establish an integration management office** — Integration in particular requires rigorous program management and realistic timelines. Without a central governance structure and a methodology driving the integration, people might fail to complete important tasks.
- **Execute quickly and methodically** — Companies should consider all areas touched by the transformation and engage the various stakeholders, such as finance, information technology, human resources, legal, operations, and sales and marketing. They also should focus on speed, particularly during an integration.
- **Remember to put people issues first** — Especially during a transformative deal, it's critical that the goals for individuals align with the goals of the overall company. People should understand where they fit, what they are being asked to do, and how what they do is associated with the value they provide every day.

Closing deals is tough, but capturing deal value is even tougher. In some ways, deciding whether to go forward with a merger or acquisition is the easy part. The act of “owning” after the transaction is complete is the real challenge. In the end, the market will reward or punish shareholders of the combined company depending on how well its management succeeds at achieving stated deal objectives. So, it is imperative that synergies are realized, deal value is captured, and the resulting performance is communicated to all those with a stake in the outcome.

## Perspective:

### Thoughts on deal activity in the second quarter of 2010

A notable trend this past quarter was the migration in sector M&A activity away from the small and middle segments of the market toward larger transactions. This movement was exemplified by the five announced “mega-deals” (defined as deals with a disclosed value of at least \$1 billion) during the second quarter. That quarterly total ranked as the largest since the first quarter of 2008.

The second quarter’s largest deal was the \$4.9 billion stake in Vale’s bauxite mines and related operations by Norsk Hydro. This transaction secures a long-term supply of bauxite for Norsk Hydro’s primary aluminum production business. In addition, Vale will receive a stake in Norsk through which Vale may reap the financial returns of a lower-cost aluminum operator. Though this deal targeted aluminum and related assets, we note that, in keeping with our previous expectation, steel and iron ore deals remain the primary driver of sector activity. Interest in steel and iron ore is likely to continue and may be supported by the industry movement toward quarterly iron ore pricing. Such pricing could enhance the desire of Chinese companies to mitigate supply risks by engaging in mining deals.

Metals deal activity has begun to follow the historical pattern of improvement postrecession. We should qualify this favorable outlook, however, by noting that some M&A activity continues to come in the form of entities divesting noncore assets to raise capital or refocus their operations. In addition, the extent of economic recovery across developed Western nations remains in doubt, which could serve to attenuate future deal activity.

However, it does seem clear that we are entering a period in which more buyers are looking to augment organic growth opportunities through a variety of M&A strategies beyond the backward integration that has driven recent activity. We believe that this trend is a positive indication for future deal flow, contributing to our relatively optimistic outlook for metals M&A activity over the second half of 2010.



## Quarterly metals deal activity

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

	2007		2008				2009				2010	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Number of deals	28	42	38	44	34	26	18	17	23	35	22	20
Total deal value (\$ billion)	53.5	24.1	28.3	18.2	21.9	16.0	11.8	63.1	4.7	5.7	5.9	16.8
Average deal value (\$ billion)	1.9	0.6	0.7	0.4	0.6	0.6	0.7	3.7	0.2	0.2	0.3	0.8

## Metals sector activity strengthens

Deal announcements in the metals sector during the second quarter continued to demonstrate a semblance of recovery according to measures of quarterly aggregate value. The \$16.8 billion value of deals announced in the second quarter represents the highest total since the second quarter of 2009, and the highest total since the third quarter of 2008 after adjusting for the \$58 billion BHP-Rio Tinto iron ore joint venture that was announced in the second quarter of 2009. This proposed joint venture, which primarily involves the contribution of assets by the two parties, also significantly drove the reduction in deal value for 2010 so far compared with 2009. Absent this 2009 deal, the total value in the

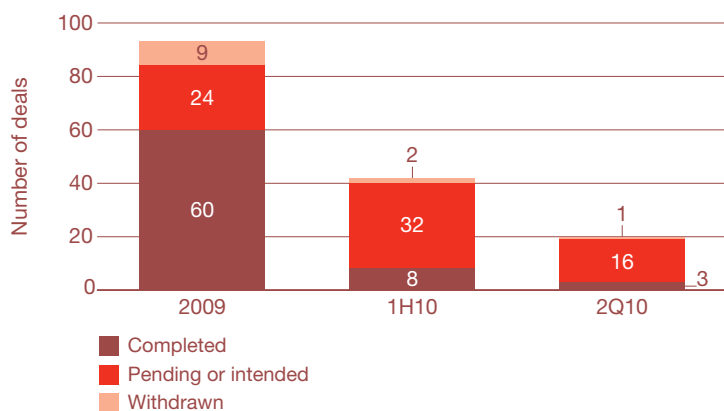
second quarter and first half of 2010 far exceeded that of 2009. The pickup in deal value is the result of the increase in mega deal activity during the quarter.

The pace of the number of announcements during the second quarter approximated those of both 2009 and the first quarter of 2010.

Previous editions of *Forging ahead* have indicated that M&A activity in the metals sector likely is showing the early stages of a recovery. The number and value of deal announcements during the second quarter support this outlook entering the second half of 2010.

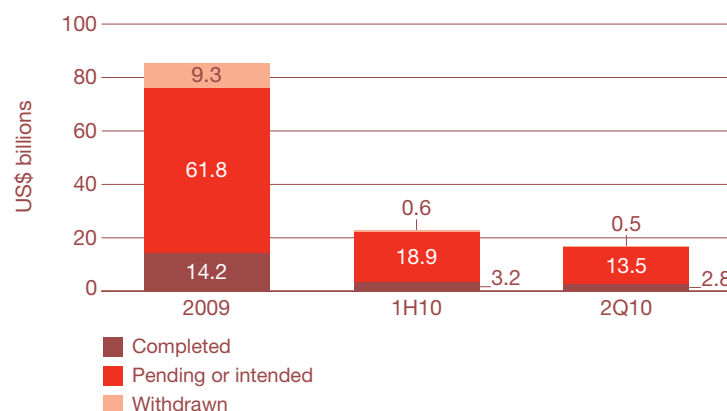
## Deal activity by number of deals

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



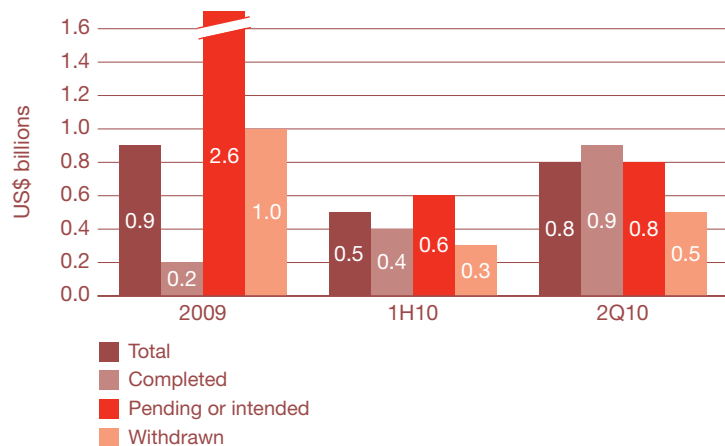
## Deal activity by total deal value

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



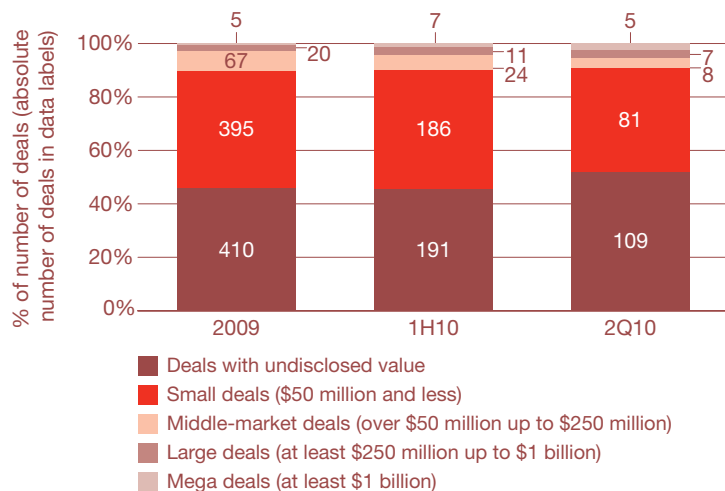
### As mega deal numbers recover, so do average values

The aforementioned pickup in mega deal activity contributed to a recovery in average deal values during the second quarter of 2010 compared with the entire first half of the year. This trend in deal interest is also demonstrated in the movement in number and range of deal values. During 2009, acquirers were more interested, on a relative basis, in small- and middle-market deals, so the relative shift in interest toward mega-deals has come at the expense of activity in the small- and middle-market categories in the first half and second quarter of 2010.

This trend is a good sign for the M&A market in this sector, as potential acquirers continue to focus less on internal cost and liquidity initiatives associated with the recent downturn. Instead, they are beginning to show signs of improved confidence and are engaging in larger strategic acquisitions.

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

Measured by number of announced deals





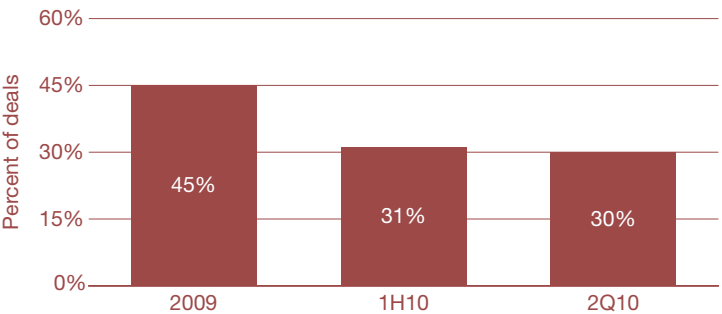
As more companies divest of assets, controlling stakes eyed

In conjunction with the general trend toward larger deals, acquirers have increasingly sought controlling-interest stakes, rather than minority interests, in metals targets. This shift was consistent with the rise in divestitures, which involve a change in majority control, in the first half of 2010 compared with 2009. The rise in divestitures, many of which involved steel entities, is evidence that metals companies are continuing to reposition their businesses through asset sales during 2010.

Other trends in acquisition techniques include fewer stock swaps, in which an acquirer exchanges its own equity for a majority or remaining-interest stake in the target, and more going-private transactions, in which a private entity acquires a public company and the combined entity remains private. These trends are also likely related to each other, as a result of a greater relative involvement by private acquirers in the deal market which, by definition, creates less opportunity to use equity to finance deals.

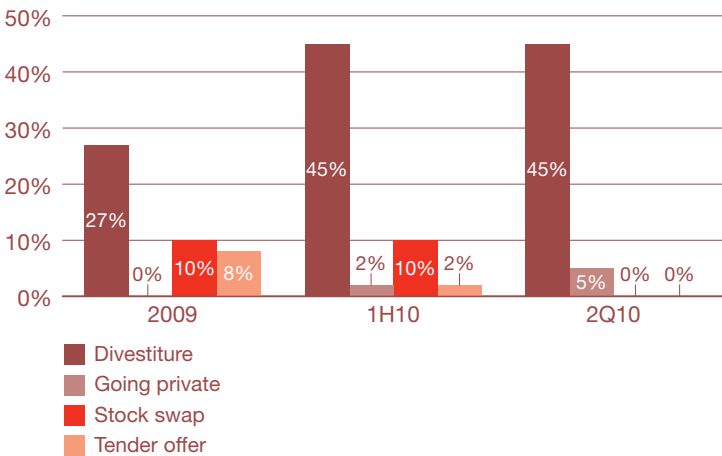
Minority stake purchases

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



Acquisition techniques

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



# Norsk, Vale lead billion-dollar-plus deals

Five mega deal announcements were made during the second quarter, which equals the total number of announcements for all of 2009 and more than doubles the two mega-deals announced in the first quarter of 2010.

The largest announcement of the quarter was Norsk Hydro's \$4.9 billion acquisition of Vale's bauxite, alumina, and aluminum operations in exchange for \$1.1 billion in cash and an estimated 22 percent stake in Norsk. This deal will help Norsk Hydro vertically integrate its aluminum business through a stake in the Vale-owned Paragominas, the third-largest bauxite mine in the world, as well as ownership of alumina refining and production facilities. For Vale, the transaction supports the strategy of focusing on iron ore, exemplified by the company's recent \$2.5 billion acquisition of iron ore concessions in Guinea, which was the second-largest announcement of the quarter.

The third-largest deal of the quarter was a transaction through which Hebei Iron & Steel, the only listed publicly traded subsidiary of parent Hebei Iron and Steel Group, will acquire another, nonpublic, subsidiary, Hangang Hanbao Iron & Steel. This transaction will help the parent group consolidate assets into the listed subsidiary.

The \$1.9 billion Sumitomo minority stake in mining company Mineracao Usiminas was the fourth-largest deal of the quarter. This deal will allow Sumitomo to secure iron ore supplies ahead of a possible share offering for this unit by the target's parent, Usinas Siderurgicas de Minas Gerais SA.

The final mega deal announcement of the second quarter was the Gerdau SA acquisition of a remaining public stake in its North American business, Gerdau Ameristeel. The rationale for this deal was cost reduction and a lower expected cost of capital for the combined organization.

## Mega-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-Western Australian Iron Ore Assets	Australia	Pending	58.00	Iron ore
Feb	Hamersley Iron Pty Ltd	Australia	Aluminum Corp of China {Chinalco}	China	Withdrawn	5.15	Iron ore
Feb	Rio Tinto Ltd	Australia	Aluminum Corp of China {Chinalco}	China	Withdrawn	2.63	Iron ore
May	Ternium Sidor	Venezuela	Corporation Venezolana de Guayana	Venezuela	Completed	1.97	Steel
Jul	ThyssenKrupp CSA Siderurgica do Atlantico Ltda	Brazil	Vale SA	Brazil	Completed	1.37	Steel

## Mega-deals in 1H10 (value of \$1 billion or more)

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US\$ bln	Category
May	Vale SA-Aluminum Operations	Brazil	Norsk Hydro ASA	Norway	Pending	4.90	Other
Apr	BSG Resources Guinea Ltd	Guernsey	Vale SA	Brazil	Completed	2.50	Iron ore
Jun	Hangang Hanbao Iron & Steel Co Ltd	China	Hebei Iron & Steel Co Ltd	China	Pending	2.35	Steel
Jun	Mineracao Usiminas SA	Brazil	Sumitomo Corp	Japan	Pending	1.90	Iron ore
Jun	Gerdau Ameristeel Corp	Canada	Gerdau SA	Brazil	Pending	1.61	Steel
Mar	Rio Tinto PLC-Simandou Iron Ore Project	Guinea	Aluminum Corp of China {Chinalco}	China	Pending	1.35	Iron ore
Mar	Itaminas Comercio de Minerios SA	Brazil	East China Mineral Exploration & Development Bureau	China	Pending	1.22	Iron ore

# Regional analysis

## China less active but still heavily involved, along with Brazil and other emerging areas

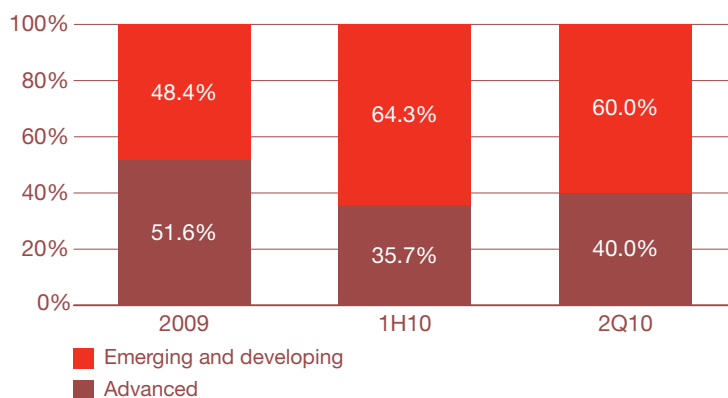
The regional distribution of deals for the second quarter generally indicates a relatively high level of participation by both acquirers and targets in the Asia and Oceania and South America regions. The former has been driven by Chinese entities acting as consolidators of the domestic metals sector, while the latter has been driven by Brazilian entities, several of which have been targeted in efforts to purchase mining assets. The involvement of Chinese and Brazilian parties in second-quarter announcements also contributed to the relatively high proportion of deals with acquirers from emerging and developing economies.

Comparisons of the regional distribution of deals announced in the second quarter with distributions of recent quarters indicate that the market is less dependent upon Chinese acquirers to drive metal M&A transactions. In previous updates, it has been noted that Chinese outbound resource deals and local-market consolidation within that country were contributing heavily to deal totals. However, deals totals announced this past quarter indicate that broader market participation has become the norm. This was also evident in the fact that four of the five mega deals announced in the second quarter did not involve Chinese entities.

While M&A participation has picked up across various regions, it should be noted that the need to continue to consolidate the Chinese domestic steel industry will likely provide the impetus for incremental deals in 2010 as it will help these companies negotiate from a position of greater strength against a more consolidated base of iron ore suppliers. In addition, differences in expected economic growth rates across regions mean that entities from emerging and developing economies are likely to remain best equipped to engage in new deals and are more likely to consider M&A as a growth avenue through the balance of the year.

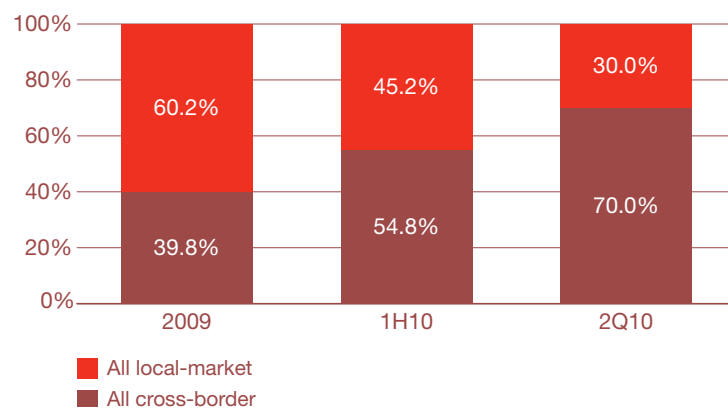
## Acquirers from advanced versus emerging and developing economies

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



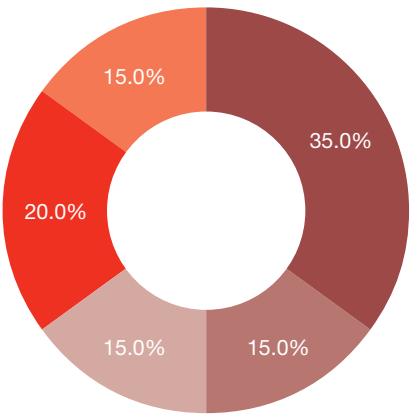
## Cross-border vs. local-market deals

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

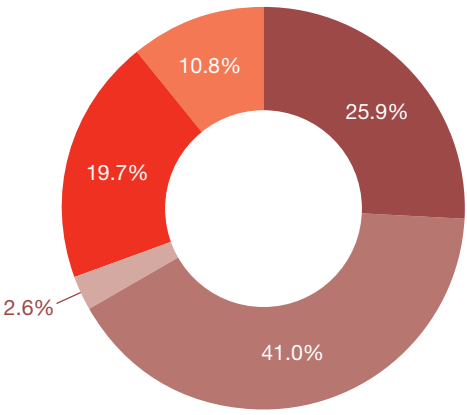


Regional distribution of 2Q 2010 deals

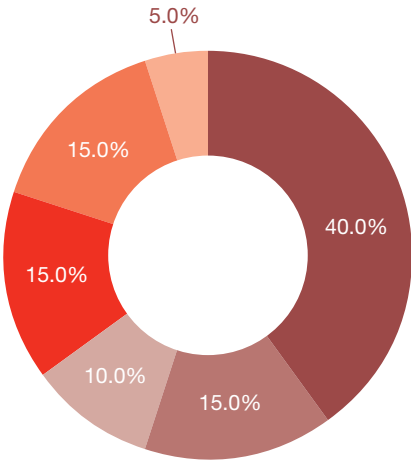
Regional distribution of deals by target region  
Measured by number of deals worth \$50 million or more



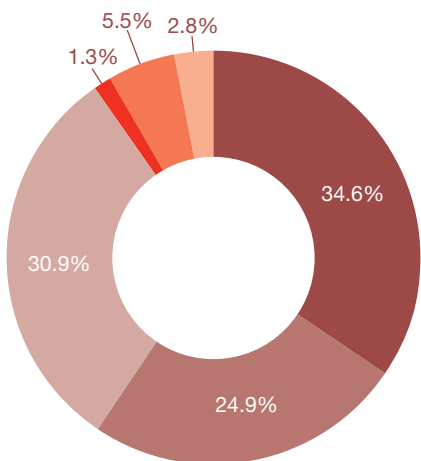
Regional distribution of deals by target region  
Measured by value of deals worth \$50 million or more



Regional distribution of deals by acquirer region  
Measured by number of deals worth \$50 million or more



Regional distribution of deals by acquirer region  
Measured by value of deals worth \$50 million or more



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

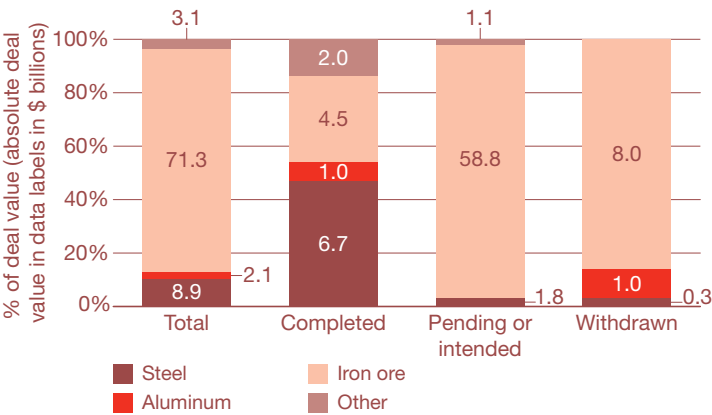
# Need for steel and iron ore materials drives deals

The comparison of 2009 versus first-half 2010 activity by category demonstrates a notable shift in deal interest. During 2009, iron ore targets accounted for the greatest level of deal value, even after adjustment for the impact of the proposed \$58 billion BHP-Rio Tinto joint venture. In 2010, deals have shown more diversity by category, though iron ore and steel targets have still led sector totals. This trend is in keeping with previous predictions that most activity would occur in categories outside aluminum given the relatively fragmented state of the rest of the industry.

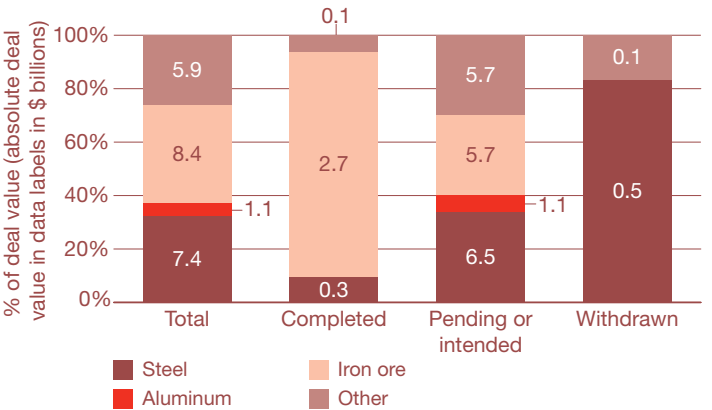
Up to this point, even though the largest deal of 2010 involved the acquisition of bauxite and alumina assets (the Norsk Hydro-Vale deal), each of the other 2010 mega-deals targeted iron ore and steel entities. The Norsk Hydro-Vale deal, however, is consistent in the sense that it is a backward integration play by Norsk Hydro.

Looking forward, the rationale for M&A activity remains strongest among steel and iron ore companies, based on the need to consolidate the steel industry as well as the pressure to mitigate raw material risks by acquiring iron ore mines.

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



**Deals by target metal category – 1H10**  
Measured by value of deals worth \$50 million or more

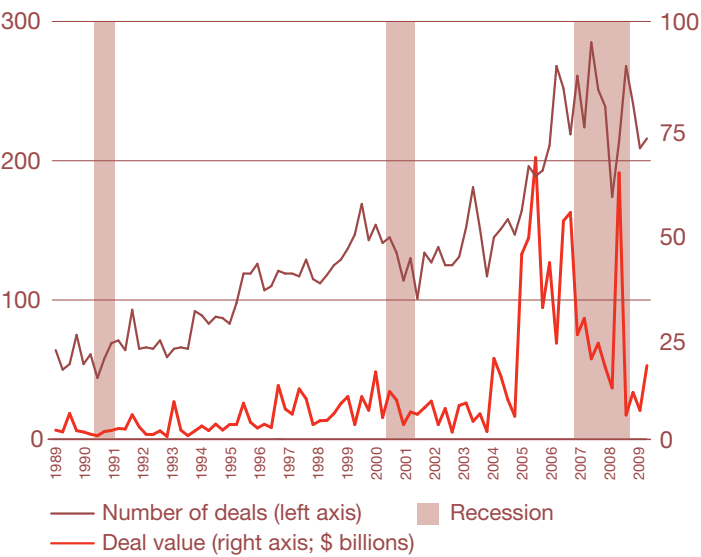


Early on, post-recessionary period mirrors historical trends

Previous reports have noted that metals M&A activity has historically tended to improve coincident with economic recoveries. The nearby chart demonstrates the general rise in M&A activity after the past two US recessions, which have been used 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 deal value outlier in the second quarter of 2009 results from the \$58 billion Rio Tinto-BHP joint venture.

Both deal volume and value have shown improvement in the wake of the recent recession. However, concerns over the potential for a double-dip recession in developed countries could lower confidence and push out a sustained recovery in deal activity.

Historical metals deal activity and the business cycle  
Measured by number and value of all metals deals  
(1989 – 2Q10; quarterly observations; shaded periods indicate US recessions)



## Capturing deal value through successful integration

Patience is not a virtue when it comes to integration. Yet in mergers and acquisitions, the chaos surrounding postdeal activities often impedes companies' ability to simultaneously focus on maintaining current operations, realizing valuable synergies, and achieving timely operational integration.

Research shows that most mergers and acquisitions fail to meet expectations. Despite the best intentions, deals often fall short when the time comes to begin translating carefully developed strategy into the right mix of people, process, and technology. Smart buyers can improve their odds by taking steps to execute a fast-paced integration that makes early use of disciplined planning, a well-coordinated launch, and a relentless focus on the value drivers behind the deal.

Successful acquirers are both quick and thorough in making the transition to the new entity because they plan for that process well in advance. They use the time between the deal's announcement and its closing to draw up plans for integrating the two companies and implementing synergies. As a result, their integration plans and major players are set before the transaction closes. These acquirers also transfer the knowledge gained from their due diligence to the integration effort. They act quickly and decisively, prioritizing integration

activities to reduce uncertainty among workers. And they limit the integration time frame, realizing there is more willingness to change if it is done quickly.

These companies maximize shareholder value by aligning integration strategies and priorities with strategic goals, addressing stakeholder concerns through ongoing communications, reducing workers' concerns over who will be responsible for what by assigning managers to specific responsibilities and accountabilities early, and treating integration as they would any other business process—in a highly disciplined, consistent manner.

### How PricewaterhouseCoopers can help

Over the years, PricewaterhouseCoopers (PwC) has developed a winning approach to launching and managing enterprise-wide integrations. Our solution includes a proven integration methodology and an expansive set of process tools, templates, and guides to support the overall integration.

Through a centralized Integration Management Office (IMO) staffed by experienced PwC integration management professionals, we are able to uniformly roll out our methodology and facilitate the overall integration process across the combined organization.

PwC's M&A integration specialists help clients achieve rapid integration to capture desired synergies and allow for a quick return to "business as usual." This helps increase shareholder value and free up human and financial capital for reinvestment in core operations.

Our capabilities include both integration specialists and functional specialists, to assist in the management and coordination of overall integration activities enterprisewide and to provide tactical experience in critical functional areas as needed.

Our merger integration services and capabilities include:

- Design the integration program and IMO
- Plan for Day One and execution readiness
- Conduct robust synergy analysis, implementation, and tracking
- Blueprint and execute business process and systems integration
- Provide functional integration assistance and tactical implementation support
- Help deliver effective communications, people, and change management



## Specialty case study:

### Leveraging integration synergies to drive value and reduce costs

**Client:** A major global metals company

Client issue	A major global metals company was considering the purchase of a large steel manufacturer in Eastern Europe. The company needed the benefit of accurate, actionable due diligence and analysis on the impact of the integration before deciding to move forward with the deal. To achieve its transaction objectives, the client also requested help realizing synergies and identifying and eliminating redundancies between the entities.
Approach	<p>PwC specialists from the Transactions Integration and Tax M&amp;A group worked together to meet the client's needs for this transaction. The PwC team performed a full-scope analysis on financial integration and tax due diligence for the client to help identify and focus attention on the factors in the business that would be critical to its future success, including the impact of the integration and the synergies needed to increase cost savings.</p> <p>In addition to the integration analysis, PwC also helped collect information important to establishing accurate valuations. PwC's specialists involved in the engagement identified several issues that led to purchase price decreases by providing the client with greater certainty over the nature of the target business and the characteristics of its cash flow. Finally, the engagement team delivered a thorough solution for accelerating the integration and synergy plan development to capture greater value.</p>
Impact	Backed by the due diligence and integration analysis performed by the PwC team, the client decided to move forward with the purchase and acquired a 100 percent stake in the target company. The ensuing \$550 million deal became the fifth-largest merger of the year, among all sectors, in the country where it took place. Further, the engagement team helped the company complete its integrations ahead of schedule while reaching its synergy targets and minimizing business disruptions.

# PricewaterhouseCoopers’ metals experience

## Deep industry experience

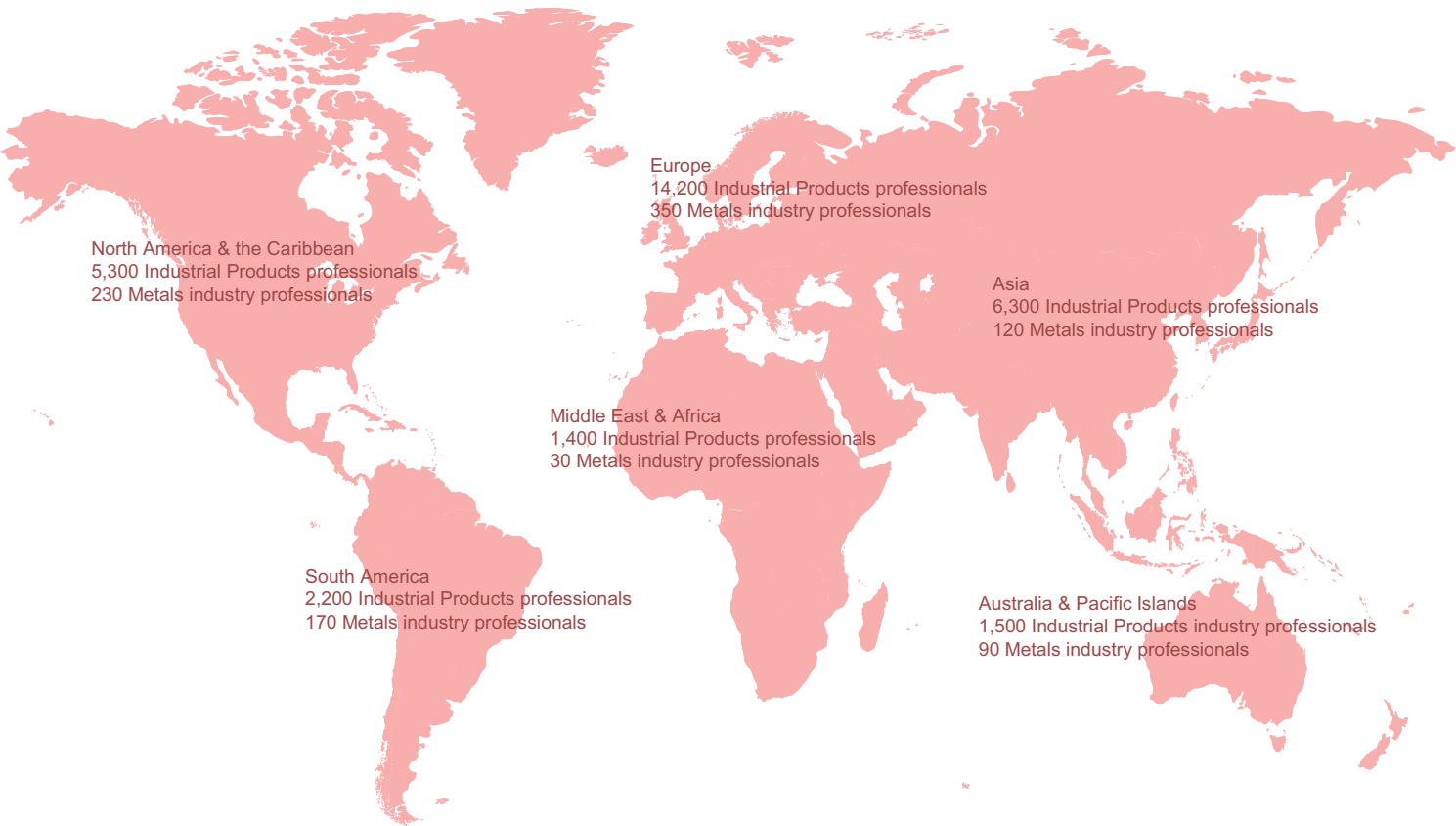
PwC continues to have the leading Fortune Global 500 market share in the metals industry. Our Metals practice serves ferrous and nonferrous primary and secondary metals producers through a network of nearly 1,000 professionals strategically located around the world. Central to the successful delivery 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 professionals 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 6,500 dedicated deal professionals worldwide, has the right industry and functional experience to advise you on various 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 professionals 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 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 metals 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 June 30, 2010, 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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