TURKISH LONG STEEL MARKET

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Secretary General
Turkish Steel Producers Association

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### Development of Turkish Economy, Construction, Manufacturing and Steel Industries (%)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013-H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>8,4</td>
<td>6,9</td>
<td>4,7</td>
<td>0,7</td>
<td>-4,7</td>
<td>9</td>
<td>8,8</td>
<td>2,2</td>
<td>3,7</td>
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<tr>
<td>Construction</td>
<td>21,5</td>
<td>19,4</td>
<td>5,7</td>
<td>-8,1</td>
<td>-16,3</td>
<td>17,1</td>
<td>11,5</td>
<td>0,6</td>
<td>6,8</td>
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<tr>
<td>Manufacturing</td>
<td>8,2</td>
<td>8,4</td>
<td>5,6</td>
<td>-0,1</td>
<td>-7</td>
<td>13,3</td>
<td>10</td>
<td>1,9</td>
<td>2,5</td>
</tr>
<tr>
<td>Steel Industry*</td>
<td>2,4</td>
<td>11,8</td>
<td>9,9</td>
<td>4,1</td>
<td>-5,6</td>
<td>15,2</td>
<td>17</td>
<td>5,2</td>
<td>-4,6</td>
</tr>
</tbody>
</table>

*Steel Industry Growth Jan-Jul 2013*
Construction Industry & Long Steel Production Growth (%)

- Construction
- Long Steel Production


Growth rates range from -20% to 20%.
Construction Industry & Long Steel Consumption Growth (%)

- 50
- 40
- 30
- 20
- 10
0
10
20
30
40

Construction
Long Steel Consumption
Crude Steel Production of Turkey (mmt) & yoy Growth (%)

*estimate
Crude Steel Production Capacity (mmt) & Capacity Utilisation (%)

*estimate
Turkey’s Billet Production Capacity (mmt)

*estimate
Turkey's Billet Production (mmt) & Capacity Utilisation (%)

*estimate
Share of Billet in Total Crude Steel Production (\%)
Turkey’s Long Steel Production (mmt) & Share in Total Finished Steel Production (%)
Turkey’s Long Steel Consumption (mmt) & Share in Total Finished Steel Consumption (%)
Turkey’s Long Steel Consumption (mmt) & Share in Total Finished Steel Consumption (%)

Long products are expected to account for 72.9 % of the total finished steel production in 2013, while share of flat products is expected to be 27.1 %.

Turkey is expected to consume 30.6 Mt finished steel in 2013, 52.3 % of which is expected to be long steel products.

* estimate
Turkey’s Finished Long Steel Production and Consumption (mmt)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>15.8</td>
<td>9.8</td>
</tr>
<tr>
<td>2006</td>
<td>19.2</td>
<td>10.9</td>
</tr>
<tr>
<td>2007</td>
<td>21.8</td>
<td>12.7</td>
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<tr>
<td>2008</td>
<td>22.1</td>
<td>14.4</td>
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<tr>
<td>2009</td>
<td>20.7</td>
<td>15.6</td>
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<tr>
<td>2010</td>
<td>19.7</td>
<td>16.7</td>
</tr>
<tr>
<td>2011</td>
<td>22.9</td>
<td>16.8</td>
</tr>
<tr>
<td>2012</td>
<td>25.2</td>
<td>17.6</td>
</tr>
<tr>
<td>2012-7m</td>
<td>26.0</td>
<td>18.0</td>
</tr>
<tr>
<td>2013-7m</td>
<td>27.0</td>
<td>18.0</td>
</tr>
<tr>
<td>2013*</td>
<td>26.0</td>
<td>17.0</td>
</tr>
<tr>
<td>2014*</td>
<td>27.0</td>
<td>17.0</td>
</tr>
</tbody>
</table>

*estimate
Turkey’s Surplus Finished Long Steel Production (mmt)

*estimate
Price Difference Between Turkey’s Average Scrap Import Price and Rebar Export Price ($/t)
Turkey’s Finished Long Steel Export (mmt) and Share in Total Steel Export (%)

- 2005: 7.7 mmt
- 2006: 9.6 mmt
- 2007: 10.9 mmt
- 2008: 12.6 mmt
- 2009: 11.8 mmt
- 2010: 9.2 mmt
- 2011: 10.5 mmt
- 2012: 11.7 mmt
- 2012-7m: 5.8 mmt
- 2013-7m: 6.7 mmt
Turkey’s Billet and Finished Long Steel Import (mmt)
Turkey’s Long Steel Export By Regions (mmt)
Turkey’s Long Steel Import By Regions (mmt)

EU27  CIS  Others
Turkey’s Finished Long Steel Import (mmt) and Share in Total Steel Import (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Import (mmt)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>0.9</td>
<td>9.1</td>
</tr>
<tr>
<td>2006</td>
<td>0.9</td>
<td>7.6</td>
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<tr>
<td>2007</td>
<td>1.2</td>
<td>8.5</td>
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<tr>
<td>2008</td>
<td>1.1</td>
<td>7.8</td>
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<tr>
<td>2009</td>
<td>0.8</td>
<td>7.4</td>
</tr>
<tr>
<td>2010</td>
<td>1.2</td>
<td>10.8</td>
</tr>
<tr>
<td>2011</td>
<td>1.3</td>
<td>12.6</td>
</tr>
<tr>
<td>2012</td>
<td>1.3</td>
<td>11.0</td>
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<tr>
<td>2012-7m</td>
<td>0.8</td>
<td>12.1</td>
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<tr>
<td>2013-7m</td>
<td>0.8</td>
<td>9.6</td>
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</tbody>
</table>
Turkey’s Net Finished Long Steel Export (mmt)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2012-7m</th>
<th>2013-7m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export</td>
<td>6.8</td>
<td>8.7</td>
<td>9.7</td>
<td>11.9</td>
<td>11.0</td>
<td>8.0</td>
<td>9.1</td>
<td>10.4</td>
<td>6.3</td>
<td>5.9</td>
</tr>
</tbody>
</table>
Turkey’s Finished Long Steel Export (Jan-Jul 2013, mmt)

**Products**
- Reinforcing Bar; 4.9; 73%
- Sections; 1.0; 14%
- Wire Rod; 0.6; 9%
- Others; 0.3; 4%

**Markets**
- Iraq 15%
- UAE 10%
- Saudi Arabia 7%
- Israel 6%
- USA 6%
- Yemen 6%
- Libya 5%
- Peru 3%
- Brazil 2%
- Ethiopia 2%
- Others 38%
Conclusions

• Turkey’s steel consumption has been the driving force in Turkey’s steel production growth in the recent years.

• Especially the growth of the construction industry has been at the core of the Turkey’s steel consumption.

• Long steel accounts for around 53% of Turkey’s total finished steel consumption.

• Although Turkey’s billet production dropped by 3.8%, finished steel production increased by 1.2%, with the support of 36% growth in billet import.

• Despite increasing domestic demand, Turkish steel industry has some surplus production which needs to find its way in export markets.

• However, recent investments by some Turkish steelmakers to be able to produce slab in their billet production facilities has taken some of the export pressure on billet producers.

• Despite that Turkish steel industry is expected to keep exporting around 10 mmt long steel annually.
Conclusions

• Slowdown in export markets, access capacities in the world steel industry and squeezing margins especially between scrap and billet have negatively affected the production of Turkish steel industry.

• Demand conditions in the main export markets such as EU, Middle East & Gulf and North Africa has not improved satisfactorily due to the political instability.

• Huge infrastructure investments, urban transformation projects and low interest rates have started to positively affect the local demand for steel in the second half of this year.

• Turkish steel industry is anxious about the increasing tendency in the global markets to restrict raw materials export, especially ferrous scrap might threaten free trade in finished steel products.

• Recent increase in AD and CVD trade cases in some countries against finished steel products (especially against rebar and wire rod) to provide protection from the international competition is threatening free market conditions.

• Turkish steel industry will continue to target shifting its production to higher value added products in the long term.