



“Giving shape to steel” for 50 years

Exclusive interview with Antonio Marcegaglia

Marcegaglia is a market leader in Europe and among the world's top companies in the transformation of steel. The company's strength is largely due to its steel processing capacity. Through its facilities, spread all over Italy and abroad, more than four million tonnes of steel are processed every year. The daily production equals 5,000 kilometres of welded tubes, open profiles, drawn tubes, panels, coils, strips and sheets made from carbon steel, stainless steel and aluminium, in every size and thickness. Sjef Roymans and Donald Wiedemeyer visited Antonio Marcegaglia to offer their congratulations on the company's 50th anniversary.

SR: When will the production at Marcegaglia's Chinese plant start?

AM: Most probably in the second quarter of next year. We will start with the production of carbon steel and we are planning to use stainless steel machines that we are already using in some of our existing plants. After the initial phase we will order new machines.

SR: What is Marcegaglia's strategy concerning the stainless steel segment? Is there a tendency to invest more into the development of stainless steel grades?

AM: When we talk about tubes Marcegaglia is undoubtedly the number one manufacturer worldwide. We have already invested € 120 million into an annealing and pickling line as well as into

a cold rolling mill facility at our headquarter in Gazoldo. This is a very significant investment that provides us with self-sufficiency in pickling and rolling. This investment will also enable us to enter the stainless steel flat market. I guess that we will sell between 120,000 and 150,000 tonnes of stainless steel coils, sheets and strips, in addition to our growing tube segment. The stainless steel

150,000 to 200,000 tonnes of flat steel. We hope to come close to half a million tonnes of converted stainless steel which would turn Marcegaglia into one of the biggest transformers independent from steel mills worldwide.

SR: The key clients of Marcegaglia are distributors and stockholders. Are there any ambitions to focus more on the end-users?

AM: Yes, we want to grow into different directions. The history of the Marcegaglia group shows that there has always been growth into different directions, be it geographically or concerning our product range or end-users. We would rather appreciate to cooperate with our distributors in terms of end-user acquisition than building up our own pool of end-users.

We have high ambitions and while we are the number one producers of flat products in Europe focussing on stainless steel flat products, we still aim to increase our percentage of the European market share. Our second focus is on the growing markets in South America, Russia and China. In a few years time, even if the worldwide consumption of stainless steel will not be immense, the focus will certainly be on those countries. China and Russia have only a few qualified players and in South America we have the monopoly as the biggest producer. We consider expansion in terms of market share and product range.

SR: There is a very strong focus on ABC – architecture, building and construction. Has Marcegaglia any intentions to move into the process industry?

AM: With 30 to 35 percent total production we are well represented in the process industry but not as good as it could be. Roughly 50 percent is ABC (including some ornamentals), 15 percent is automotive, whereas the proportion for ornamental is slightly diminishing but increasing in the automotive and process industry. Our ability to cover the different process lines, the different systems of welding and the different end-users will give us flexibility within our strategy.

SR: How did Marcegaglia cope with the economic situation?

AM: Like other companies Marcegaglia has suffered from the economic crisis as well. We were expecting a downturn, however, not at such a large and devastating scale. And there were only a few analysts who forecasted that something like this would happen. But I believe in the ongoing industrialisation and strong driving force of the BRIC countries in the years to come, particularly from China and India. The next few years will be less positive due to over-capacities and industry restructuring whereas on the very short term there will be a recovery in price and demand.

In the case of stainless we did a little bit better than 2007. Overall we think that we performed better than our competitors in terms of performance and results. This period was a tough one and we lost money but we had a very important reserve in our balance sheet, both in terms of values and different forms of provision that legally provided to our balance sheet as a private and family owned company. Last year our total sales were € 4,263 billion on a consolidated basis. Our EBITA was € 250 million and net profit was about € 35 million only. In total, our performance was not too bad. We are very optimistic to overcome this period and to end up in a stronger position and to take advantage of some of the opportunities the market offers.

DW: Marcegaglia builds its own facilities, for instance, in China and Brazil rather than taking over companies. Why?

AM: We trust in our ability and within the core business we think it's more sane and sound to build our own facilities with our own resources. It has to do with our culture and the way we foresee our role, our competence and our ability to transfer the industrial and cultural values into a new venture. There are some exceptions to this strategy where we considered acquisitions in the area of tourism, building and energy.

DW: Marcegaglia deliberately sends people to work in China or Brazil for a couple of years. Why?

AM: We try to duplicate our industrial culture and our best experience. And this typically comes along with people moving



at least temporarily. After five years in the USA our technical and commercial employees handed over to local management. In Brazil two local managers supported the equipment development. Now we have decided to transfer one of our globally known managers to Russia.

SR: Please tell us something about the highlights of the past 50 years at Marcegaglia.

AM: My father would be more entitled to answer this question. 50 years ago at the age of only 29 years he started from scratch in a small village and today Marcegaglia is an industrial and financial corporation, a leader in Europe and on a world scale in the steel and metallurgical sector, fully owned by the Marcegaglia family. I had the privilege and the honour to join this long-established company and I admire my father's pioneering spirit, the big investments and his great courage. A black day was the kidnapping of my father which could have jeopardized his moral and entrepreneurial spirit but the opposite was the case. He became even

stronger, determined and focused. Together we have devoted even more time and resources into our company. We have multiplied our ambitions and the size of the company tripled in the last 15 years.

A highlight is the steel life exhibition which celebrates the 50th anniversary of our group. According to our slogan "We give shape to steel" we have taken this event as an opportunity to give eight international artists from Italy, China, Venezuela, India, Pakistan, Switzerland and Germany the chance of creating art from steel. A committee with representatives of the Triennale di Milano selected the artists and the exhibition can be viewed for two and a half months. Additionally, my father and I will be travelling to all our plants around the world. At each site there will be small parties for our employees where a medal will be handed over to our colleagues.

SR: What will be different in the coming five years?

AM: It is very likely that our group will be much more internationalised. We already

have a significant presence worldwide and we are planning to invest more into our growth. We are going to earmark € 1 billion in the next four to five years and at least half of it will be invested into international growth.

In 2012 we anticipate € 6 billion, of which 30% will be produced outside of Italy. China, Brazil, Russia and Poland will be the main hub besides Italy. Another € 500 million will be used to empower the Italian sites, including the stainless steel sites. Half of the new investments will be dedicated for projects abroad.

DW: Obviously your focus is not to enrich yourself but to invest money into new projects. What is the driving force of Marcegaglia?

AM: I think you can call it a mission or vocation in service for our country and our business. It's a pleasure to be part of a leading group within the industry. It's also a personal ambition associated with a high sense of responsibility for the enlarged family which includes our employees and stake holders. There is also the drive to stay competitive.