

# Stelco Gears up for Parade of Suitors

BY GREG KEENAN, STEEL REPORTER

**June 2, 2007** -- Cash-rich steel makers from Russia, Brazil and India are expected to lead the list of suitors lining up to buy the last Canadian steel company and one of two remaining mid-sized steel makers in North America.

**Stelco Inc.** revealed yesterday that it has appointed a special committee of directors and hired two investment firms to examine a sale, merger, acquisition or strategic partnership.

"We believe it is appropriate to begin the next phase of our business plan and explore all potential alternatives for positioning Stelco to be an integral part of a larger, globally competitive company," president and chief executive officer Rodney Mott said in a statement.

Most mid-sized North American players, including Canadian companies Dofasco Inc., Algoma Steel Inc. and Ipsco Inc., have already been snapped up in a tidal wave of consolidation that is reshaping the industry, leaving steel makers seeking a foothold here

Their choices are fully integrated companies such as Stelco and **AK Steel Holding Corp.** of Middletown, Ohio, and a mill near Baltimore, Md., that **Arcelor Mittal**, the world's largest steel company, has been ordered to sell by the U.S. Justice Department.

Russian giants **OAO Severstal** and **Evraz Group SA** top the list, industry analysts and sources said yesterday. Severstal owns a mill near Detroit and kicked Stelco's tires in 2005 when the Canadian company was under creditor protection.

Stelco mills in Nanticoke, Ont., and Hamilton would fit in well with Severstal's Rouge operations in a Great Lakes strategy, one senior industry executive said yesterday. Evraz appeared to have Regina-based Ipsco locked up late in a frenzied auction, but lost out to Svenkst Stal AB of Sweden.

Two Brazilian players, Companhia Siderurgica Nacional SA and Usiminas, may be prepared to take a run, but are bidding for the Arcelor Mittal mill at Sparrow's Point in Maryland, industry sources said, which may stop one or both from making a Stelco attempt.

Jindal Steel of India is believed to be mulling a Stelco bid. Jindal purchased the assets of Stelco's plate mill while Stelco was operating under bankruptcy protection. "There are five guys out there that seem to be bidding on everything," said Charles Bradford, an independent steel analyst in New York.

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Both Mr. Bradford and Mike Locker, who heads industry consulting firm Locker Associates Inc., also in New York, said AK Steel is more attractive than Stelco in part because it is a large supplier to Japan-based auto makers in North America.

Stelco, on the other hand, would be cheaper.

Rolf Gerstenberger, president of United Steelworkers local 1005 at Stelco's Hamilton works, lamented what is likely to be the last step in the disappearance of a Canadian-owned steel industry.

"It's still quite amazing that this can just happen," Mr. Gerstenberger said.

Stelco's statement sent its shares surging in trading on the Toronto Stock Exchange. Trading was halted before the market opened and the shares opened at \$31.58, up 17 per cent from Thursday's close of \$26.90.

