Mittal Steel Ostrava is changing its pipes and tubes production and sales strategy

March 2 - Ostrava - Today the shareholders of Mittal Steel Ostrava decided to carve out the Tube Plant. The General Meeting approved the draft of the contribution agreement based on which Mittal Steel Ostrava will contribute a part of its enterprise - Plant 15 - Tube Plant - as a non-cash contribution to the basic capital of the new company MSO PIPES & TUBES.

The new pipes and tubes production and sales strategy is based on the decision of the Mittal Steel Ostrava management to use the potentials and synergic effects within the world’s largest steel making group Arcelor Mittal more effectively. „The carving out of pipes and tubes production is in line with the current trend in the global steel industry when geographically oriented production changes to product oriented production” added Gregor Münstermann, CEO and BOD Chairman in Mittal Steel Ostrava.

The merger of Arcelor and Mittal opened the way for Mittal Steel Ostrava to use the global knowledge, the successful joint system of marketing and sales as well as other synergic benefits in the area of production and sales of long and flat products. However, in the past, pipes and tubes did not play any significant role either in the Mittal group or in the Arcelor group. But it is clear that pipes and tubes production is a highly profitable sector for which we can expect better possibilities for development than in other production sectors. For this reason the Arcelor Mittal group is currently preparing a multinational coordination project that includes coordination of production, marketing and sales of pipes and tubes in various countries and plants belonging to the group.

The company management wants to use the offer to join the multinational coordination project for production and sales of pipes and tubes and access to the global know-how. And so the management started preparing carving out Plant 15 - Tube Plant to a stand-alone subsidiary. Its establishment should bring more customer oriented production, improved product mix and expanded assortment. Pipes and tubes are final products and the response to the conditions on the market and the requirements of the customers must be significantly different from the standard steel products.

As a 100% owned subsidiary, pipes and tubes production will represent higher value and profits for Mittal Steel Ostrava. It is expected that the carving out and establishing of MSO PIPES & TUBES will result in higher profits and increased production volumes and thus also increased volumes of supplies of raw materials and services from the parent Mittal Steel Ostrava.

All employees of Mittal Steel Ostrava working in Plant 15 will automatically become employees of the new company. No manpower reduction is expected.
Today, besides the draft of the contribution agreement, the company shareholders elected also a member of the Supervisory Board whose three-year office term expired. Mr. Ondřej Otradovec was re-elected as a member of the Supervisory Board.

Plant 15 - Tube Plant is a traditional producer of high-quality pipes and tubes in the Czech Republic. In 2006 the plant produced 315 thousand tons of pipes and tubes. The plant produces seamless and spirally welded pipes and tubes according to the world’s standards. The plant has been an authorized producer of oil pipes and tubes with an awarded API monogram continuously since 1957. The plant employs 1030 people.

Seamless pipes and tubes are used mainly in construction engineering, for pipe lines, in extraction industry, in the oil and gas industry, in geological surveying and for construction of railways. Spirally welded pipes and tubes are supplied mainly for transport of water, oil and gas and to the construction engineering industry.

Mittal Steel Ostrava is the largest steel company in the Czech Republic and belongs to the largest global steel making company Arcelor Mittal. In 2006 the company produced 3.06 million tons of steel. Currently the company has 8,600 employees (after the merger with Vysoké pece Ostrava). In 2006 the average wages of the employees were 25,881 CZK. Last year the company exported 59% of its production and sold its products in 88 countries all over the world mainly to Germany, Poland, Slovakia, Austria, USA, and Italy. The largest shareholders of Mittal Steel Ostrava are: mittal steel holdings A.G. (71.579 % of shares), the Ministry of Finance of the Czech Republic (13.881 %), and Czech Consolidation Agency (10.969%). In the accounting year 2005 (1st March 2005 to 28th February 2006) the company generated profit after tax of CZK 4.644 billion. The overall revenue was CZK 57.057 billion.