
Monthly Stainless Steel Report

- Providing an insight into the German, UK, Danish, Swedish & Norwegian Markets -

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Issue 18, January 2007



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1.

Summary & Industry News

▶ **Summary**

▶ **Industry News**

Stainless 2008 – Back to the Basics

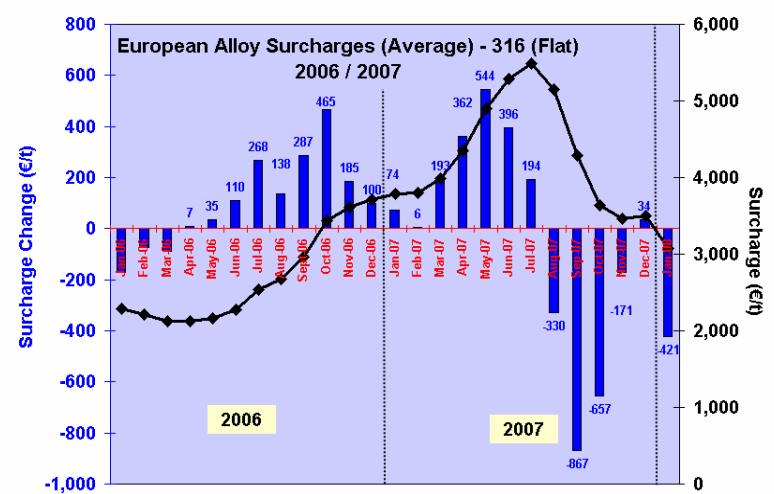
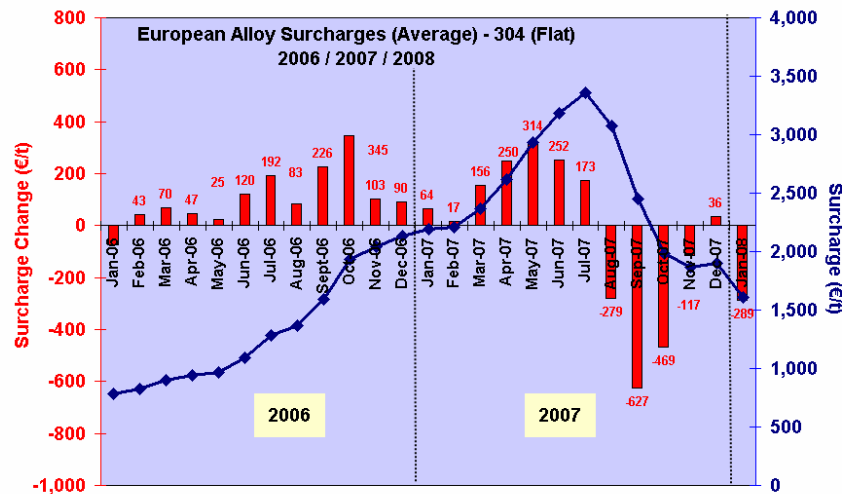
- **Stainless Steel 2007:** Preliminary production data indicate that last year was a year of stagnation. The industry will not reach the 2006 record level of 28 million tonnes again. SMR estimates an annual production of 27.5 million t for 2007 after 28.4 million t in the previous year (= minus 3%). In the entire year 2007, all European mills lost 16% production compared to 2006. Primarily this is the result of a softening market as a result of de-stocking. Increased shipments from Asian mills contributed also to the problems of the E.U. mills.
- Q4/07 showed a certain **recovery** on a low level but not a turning point. It remains difficult to foresee a clear price development for Q1/08 as Ni is still volatile. Nickel prices fluctuate still 2,000 -3,000 \$/t a week, which compare to 150 – 250 €/t alloy surcharge fluctuation.
- The January **2008 surcharges** are again in a small range between 1,595 €/t (Ugine & ALZ) and 1,635 €/t (TKN) for 304 flat products. On average, the European surcharges dropped by 290 €/t compared to the previous month. Buyers are still in a learning phase how to deal with the fast price changes after the introduction of new alloy surcharge calculation systems at all European mills except Acerinox.
- Speculative volumes are reduced to a minimum under the **new surcharge regime**. Stockists keep stocks on lower levels and probably will never again over- or under-stock as in the past. A second effect is that Asian supplies become an even bigger risk to European buyers. And this was probably the main purpose pursued by the E.U. mills when introducing the new system. This is one further step in the ongoing trend to shift physical material stocks from independent distributors towards mill controlled warehouses increasing the ‘market power’ of the European producers.
- **Anti-Dumping:** the complaint has now to be confirmed by the EU member countries. However, there is strong resistance against the complaint from stainless steel users. It is not clear yet whether all EU member countries will agree to a formal investigation. Particularly EU countries without any stainless steel mills (17 out of 27) have no reason to support the case against China, South Korea and Taiwan.
- Project business will be a **growth driver** for the stainless steel demand in 2008 again - a lot of delays in 2007 will lead to further strong demand from projects in 2008. In the light of these basics, we expect the stainless steel demand in 2008 to grow around 5% - 8%.

Industry News: Europe I – Market Performance

- The alloy surcharge fell remarkably to a level of 1,595 to 1,635 €/t in January 2007. The market reacted with increasing hesitance to it – after the demand has already started to improve before.
- Acerinox is the only European mill applying the ‘old’ alloy surcharge calculation. However, they do not publish surcharges anymore. All others have introduced alloy surcharge systems with short ‘reaction’ time (surcharge based on the raw material price of the previous month) until January 2008.

Alloy Surcharge and Price Development

	TKS				Outokumpu				Ugine / ALZ			
	304		316		304		316		304		316	
	Surcharge	Change	Surcharge	Change	Surcharge	Change	Surcharge	Change	Surcharge	Change	Surcharge	Change
	in € per t											
Oct-07	1,985	-461	3,645	-641	1,976	-473	3,626	-670	1,981	-474	3,624	-659
Nov-07	1,923	-62	3,518	-127	1,823	-153	3,421	-205	1,846	-135	3,442	-182
Dec-07	1,908	-15	3,508	-10	1,884	61	3,478	57	1,908	62	3,497	55
Jan-08	1,635	-273	3,105	-403	1,595	-289	3,055	-423	1,602	-306	3,061	-436



Industry News: Europe II – Economy and Company News

Economic Development and Background

- ISSF reported a global production volume of 21.0 million t of **stainless steel crude steel** in the first nine months of 2007 (after 20.9 million t in January to September 2006). This corresponds to a growth of only 0.4% in Q1 to Q3 2007. For the entire year, a negative growth of minus 2-3% is realistic. Q4/07 was significantly better than Q3/07 but far below the extraordinary strong Q4/06.
- Particularly the Western European stainless steel mills suffered from a weaker demand: in the first nine months of 2007, the **production declined** to below 6.0 million t after 6.9 million t in the same period last year. For the entire year 2007, a production quantity of 7.8 to 8.0 million t seems to be realistic after a production of over 9.2 million t last year.
- **OECD** Economic indicators confirm the weakening of the European economy. The composite leading indicators fell sharply by 1.9 in October on y-o-y basis.
- A **GDP growth** of 2.7% is expected for all OECD combined in 2007 (Eurozone approx. 2.5%). For next year, a somewhat lower growth is realistic. The GDP forecast for Germany was further reduced to 1.8% by the government for 2008. GDP 2007: 2.5%

Company News

- The **Russian government** plans to raise import duties on finished stainless steel products up to 1,300 €/t. This duty will also be imposed for Chinese material. Last year, an anti-dumping duty was imposed to stainless steel imports from Western Europe. The duty on finished products is also a reaction to the declining competitiveness of Russian end users, which have to buy stainless steel for a higher price than competitors in other countries since they government imposed AD duties.
- The **Russian Ministry of Economic Development and Trade (MEDT)** has also decided to open a special safeguard investigation into all stainless steel pipe imports (maximum OD: 426 mm) to Russia. The investigation was initiated by TMK, Chelyabinsk Pipe and ChTPZ. The MEDT explained the investigation by the drop in market share of Russian suppliers in the domestic stainless steel market to only 33%. Main stainless steel pipe suppliers to Russia are EU countries, China and the Ukraine.
- The seventh worker died at the end of December caused by the fire at **AST**'s Turin facility on 5th of December. TKS announced in the meantime to continue with the planned equipment relocation from Turin to Terni and keep to the plan to close Turin this September. TKS rejected rumours that the fire was a result of inadequate security standards. AST will build a new stainless steel service close to Milan to strengthen its position in one of Italy's main stainless steel consuming areas.
- **Jacquet** reached sales of 239 million € in the first nine months of 2007 and an operating profit of 44 million € in the same period. The company announced that it will exceed its sales forecast of 300 million € in 2007. They will open new service centres in Berlin, Venice, Bucharest, Bergen and Gdansk (Poland) in 2008.
- Spanish stainless steel welded tube newcomer **Condessa** (round, square and rectangular welded tubes) has stopped plans to expand production facilities in the second and third phase of its expansion project in Legutiano. Initially it was planned to complete its 70 million € investment by 2009. The company was strongly affected by the market development in the second half of 2007.

Industry News: America, Asia and Rest of the World

Economic Development and Background

- According to ISSF, the **American stainless steel crude steel production** dropped from 2.3 million t in the first nine months 2006 to 2.0 million t in the same period 2007 (minus 12%). Compared with the weak Q3, the production improved significantly in Q4 again. However, Q4/07 will most likely be below Q4/06. Thus, a production decrease of up to 15% can be expected for the entire year 2007.
- The stainless steel production and demand in **Asia** collapsed in December after the substantial price fall in nickel. Asian mills reduced December production up to 40% compared to normal monthly levels. Until September 2007, the stainless steel crude steel production increased by 12.2% to 12.2 million t compared to the first nine months of 2006. Main driver was again China, however, China was also strongly affected by the market weakness in Q4. Despite these problems, it is expected that the production reached at least 16.5 million t in Asia (including India) in 2007.

Company News

- **Acesita** has been renamed into '**ArcelorMittal Inox Brasil**' to strengthen corporate identity at the former Acesita. ArcelorMittal announced that they intend to buy out all minority shareholders of the company (43% stake). ArcelorMittal announced the acquisition of **Cinter S.A.**, an Uruguay stainless steel tube producer for an undisclosed price. M.T. Majdalani Y Cia. S.A., the leading stainless steel service center and distributor in Argentina was also acquired by ArcelorMittal in last December. **M.T. Majdalani Y Cia. S.A.**, was before entirely owned by the Majdalani family, employs 75 people in one site located in Buenos Aires. It sold about 12.000 tonnes in 2006 with a turnover of 46 million USD. It specializes in flat stainless steel products. Both purchases are part of ArcelorMittal's strategy to strengthen its position in the South American stainless steel business.
- US Distributor **A.M. Castle** acquired the Blackburn based stainless steel and nickel alloy distributor Metal UK. Metal UK focuses on supply for the oilfield and aerospace industry. In 2007, Metal UK had a turnover of ~70 million US\$.
- Two service centres of **O'Neal Steel** in Ohio (AIM International and Ferguson Metals) have merged into United Performance Metals. The location is the former Ferguson Metals service centre.
- **Ugitech's** subsidiary **Ugitech USA** announced in January that it will operate as Schmolz + Bickenbach USA in the future. As the Stainless Steel Materials division of Schmolz + Bickenbach USA, the company will continue its responsibility for all US sales and distribution of stainless steel products from Ugitech production division but will represent also DEW (Schmolz+Bickenbach's German production site) in the future.
- **News from China:** Dongbei Special Steel Group's **Dalian Jinniu Co.Ltd** held the operation ceremony for its self-upgraded AOD furnace. To expand stainless steel capacity, the company decided to upgrade the No.2 EF to AOD furnace. **Liaoning Hongda Special Steel** plans to build a new precision alloy steel and non-magnetic stainless steel production line in Benxi Henren county on joint-venture mode. The planned construction period is 1 year. These produced materials are widely used in aviation, spaceflight, electronics and transportation. The new line is expected to replace import and fill the gap of demand shortage. **TISCO** achieved rapid growth in duplex STS sales volume in 2007. The sales of Tisco's Duplex types S31803, S32205, S32304 and S32750 increased by 448% (year-on-year basis). Tisco explained that they have achieved a historical breakthrough in material for shipbuilding, bridge building, petrochemical, pulp & paper and desalination. Recently, **TISCO** also signed an agreement with **Petrochina** ("strategic cooperation frame agreement") in Beijing. Both parties will carry out in-depth and full scale cooperation in joint development of line pipe for oil and gas, stainless steel and steel for low temperature pressure vessels.
- The South Korean company **Dongbang Special Steel** will soon start production of its new stainless steel wire plant (for fasteners) in Hanoi, Vietnam (annual capacity 6,000 t). The wire rod feed material is completely supplied by PSS (Posco).

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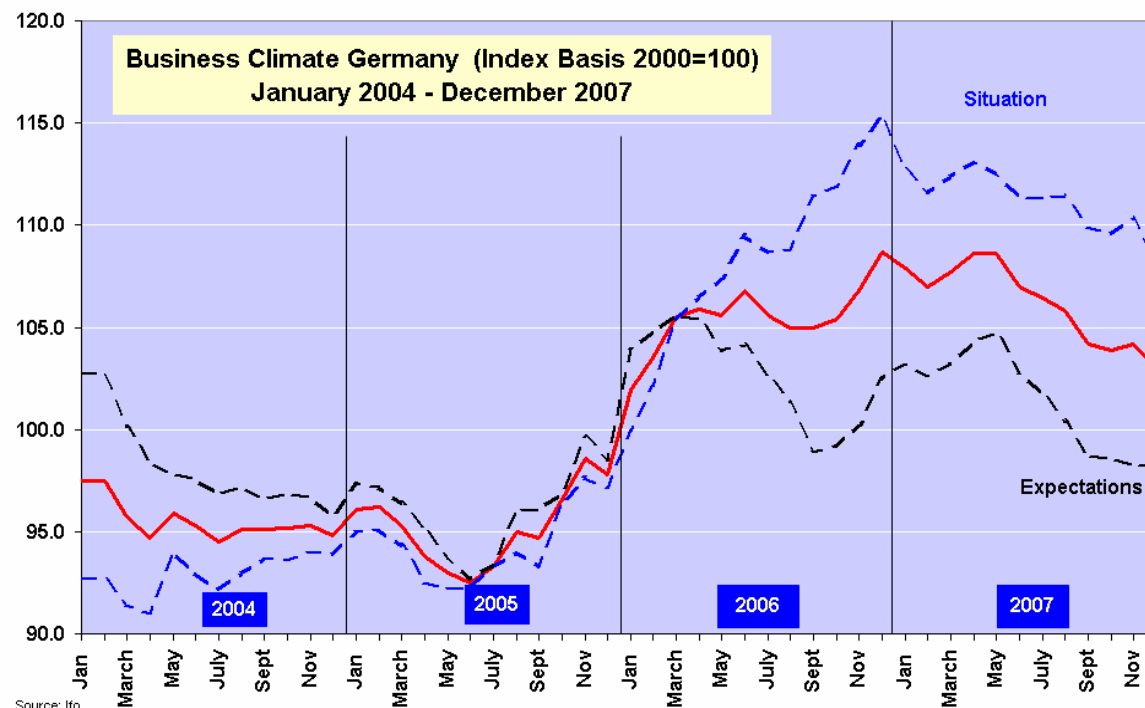
Market Performance

- ▶ Germany
- ▶ United Kingdom
- ▶ Denmark
- ▶ Sweden
- ▶ Norway
- ▶ Price Index



Germany - Summary

- The business climate somewhat cooled down again in December. The indicators show a downturn since April 2007 for both, situation and expectations.
- For 2008, a moderate weakening of the still robust economy is expected. Economic institutes forecast a GDP growth below 2% for this year. Earlier last year, a growth of at least 2.5% was expected for Germany.
- Decreasing number of unemployed people (December: >600,000 less unemployed than in December 06) leads to a better consumer spending climate
- Negative aspect: inflation between 2-3% leads to stagnating incomes. 2008 Consumer spending will most likely not grow as expected before.
- Building/Construction: a turnover growth of 3% expected for 2008 orders in this segment. Particularly, public and company investments will support this segment, whilst private housing will remain on a weak level in 2008.
- Stainless Steel: market did not pick up as expected in January 2008. Distributors remain reluctant because of the implications of the new alloy surcharge calculation system and uncertainties about the future nickel price development.
- Stocks in Germany are still relatively low – but distributors do not intend to replenish them before uncertainties stop.
- Damstahl Germany invites you to meet Damstahl people at the Düsseldorf Tube/Wire Fair 2008 (Hall 6, Stand J18)





Imports lost 8% in year to date 2007 compared with 2006 – first Signs of a Market Recovery in October 2007

Imports of Stainless Steel Materials into Germany (in tonnes)

Products	2006		2007									
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
HR Sheet & Plate	34.288	14.114	22.832	15.966	23.215	16.676	15.344	18.970	13.011	10.886	11.504	15.458
CR Sheet	58.516	37.317	47.901	38.888	41.032	37.256	42.653	35.134	28.865	17.639	26.673	37.131
Round Bars	18.667	14.202	15.942	23.387	20.965	20.535	19.444	20.505	19.048	16.331	15.851	19.190
Profiles	1.316	985	1.061	1.224	971	869	871	911	803	570	791	919
Seamless Tubes*	2.481	1.832	2.471	2.330	2.468	1.791	2.575	2.747	3.053	2.088	2.635	3.422
Welded Tubes (Rounds)	7.970	6.727	7.100	9.078	6.820	7.549	7.271	6.499	6.737	5.112	9.732	9.578
Welded Tubes (Square)	2.294	2.102	1.788	1.754	2.097	1.377	2.282	1.933	1.731	1.309	5.180	4.518
All Products	125.532	77.279	99.095	92.627	97.568	86.053	90.440	86.699	73.248	53.935	72.366	90.216

*excl. Mother Tubes

Products	2006 full year	2006 ytd	2007 ytd	% change ytd
HR Sheet & Plate	243.583	195.181	163.862	-16%
CR Sheet	530.338	434.505	353.172	-19%
Round Bars	185.939	153.070	191.198	25%
Profiles	11.439	9.138	8.990	-2%
Seamless Tubes*	23.865	19.552	25.580	31%
Welded Tubes (Rounds)	82.971	68.274	75.476	11%
Welded Tubes (Square)	42.273	37.877	23.969	-37%
All Products	1.120.408	917.597	842.247	-8%

*excl. Mother Tubes

Aug. - Oct. 2007 vs. Ø 2006	
Growing / Declining Source Countries	
HR Sheet & Plate	Bellux, Spain
CR Sheet	France, Spain, Italy
Round Bars	India, Spain, Italy
Profiles	
Seamless Tubes	China, Ukraine
Welded Tubes (Round)	Italy
Welded Tubes (Square)	Italy

> +25 %
 +10 to +25 %
 -10 to +10 %
 -25 to -10 %
 < -25 %

Sources: ISSB, [SMR - Steel & Metals Market Research Analysis](#)



CR Sheet accounted for 41% of Imports, followed by Round Bars (21%) and HR Plate (15%)

Imports of Stainless Steel Materials into Germany (Oct. 2007)

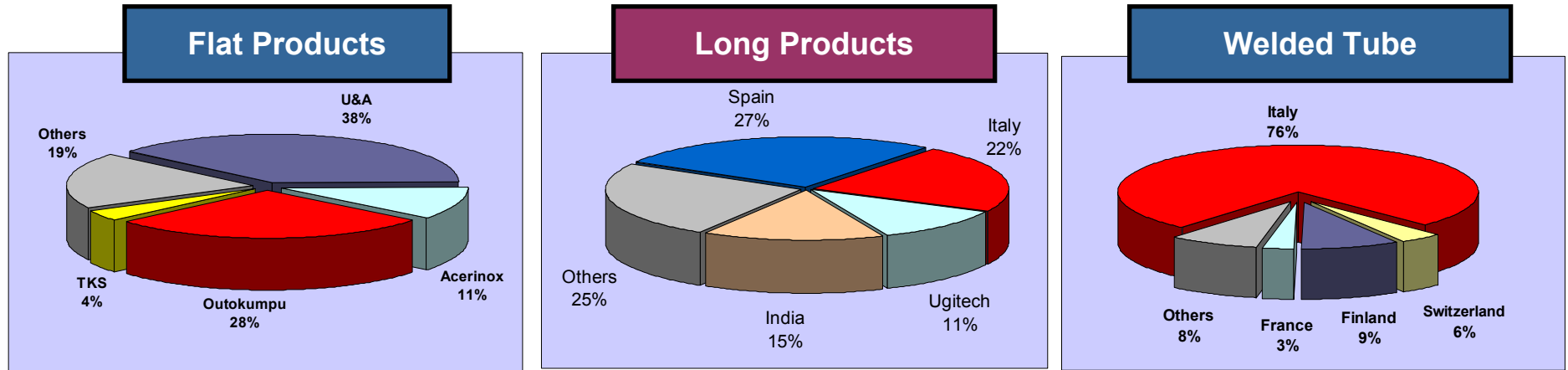
Country of Origin	HR Plate	CR Sheet	STS Bars (round)	STS Profiles	Seamless Tube	Welded Tube (round)	Welded Tube (square)	TOTAL	TOTAL
	<i>in tonnes</i>								<i>%</i>
Italy	642	1.132	3.846	246	195	7.272	4.192	17.525	19%
France	1.063	12.370	2.568	25	389	529	51	16.995	19%
Spain	867	4.241	6.051	361	406	13		11.939	13%
Bellux	4.165	5.239	836	7	2			10.249	11%
Finland	1.220	8.230			3	22	227	9.702	11%
Sweden	6.013	825	170		464	618		8.090	9%
Netherlands	365	1.624	419	5	119	124	15	2.671	3%
Austria	193	39	1.023	23	613	190	4	2.085	2%
India			1.726	136	21	18		1.901	2%
Slovenia	643	247	215					1.105	1%
Switzerland	4	114	380	81	18	364	29	990	1%
USA	62	353	61		11	48		535	1%
United Kingdom	1	52	189	12	12	19		285	0%
Taiwan		188	76			7		271	0%
Denmark		14	43	12				69	0%
Others	220	2.463	1.587	11	1.169	354	-	5.804	6%
TOTAL	15.458	37.131	19.190	919	3.422	9.578	4.518	90.216	100%

Sources: ISSB, [SMR - Steel & Metals Market Research Analysis](#)

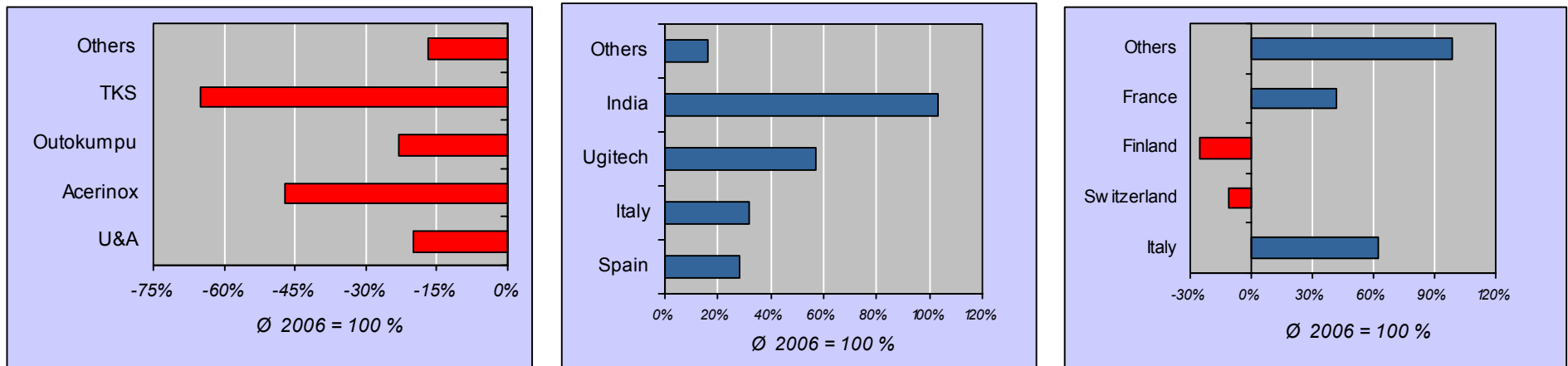


Position of Flat Product Importers worsened whilst Long Product Manufacturers improved their Market Position significantly

Imports Shares by Product Type (Aug. - Oct. 2007)



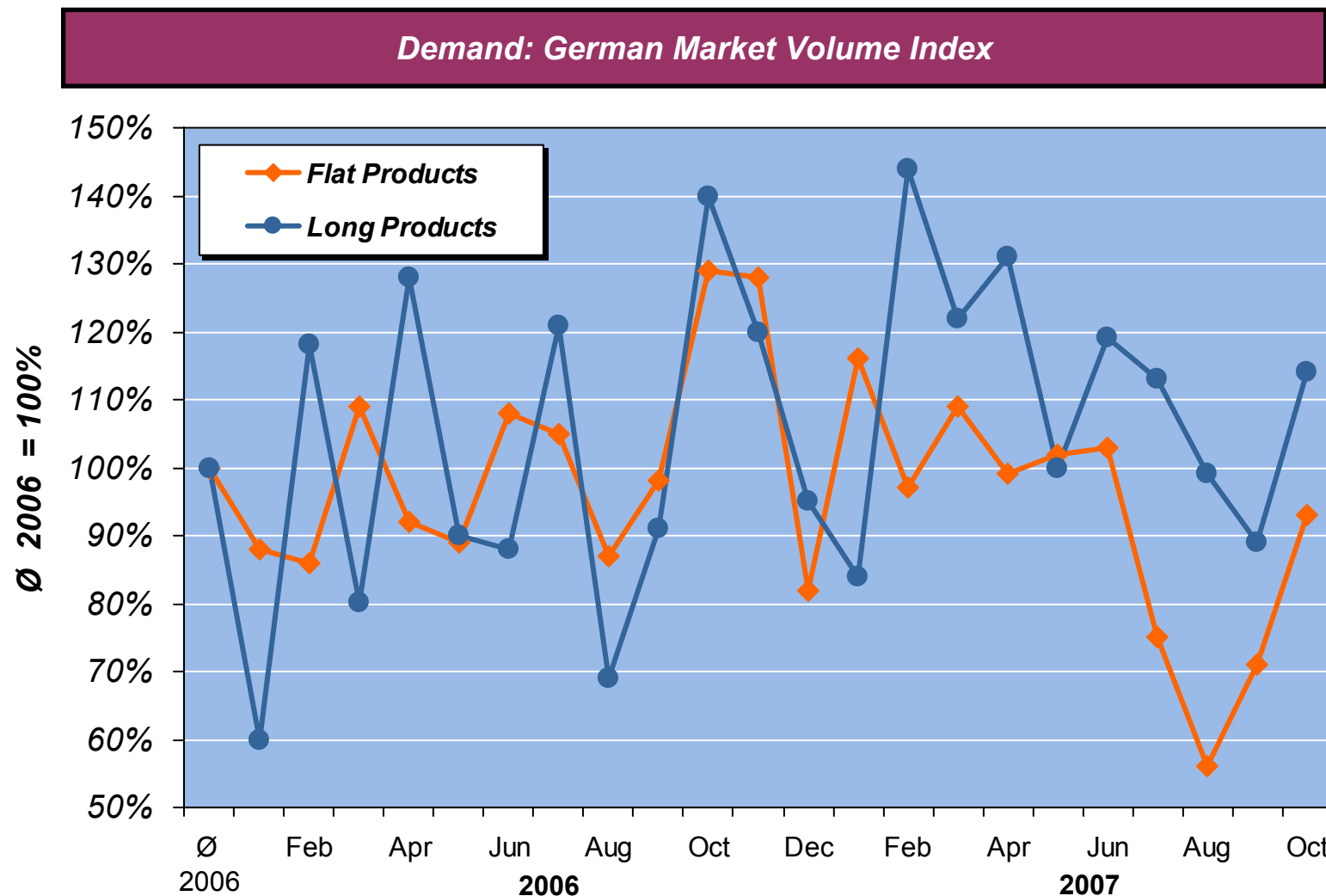
Import Position Aug. - Oct. 2007 to annual Ø 2006



Sources: ISSB, [SMR - Steel & Metals Market Research Analysis](#)



Market recovered in October - Flat and Long Products benefitted both



Source: [SMR - Steel & Metals Market Research Analysis](#)



United Kingdom - Summary

- UK consumer confidence remains negative and weakened again to minus 10 in December. However, confidence remained poor already since 2003.
- The Q3 GDP was 0.7% above the previous quarter and even 3.2% higher than the GDP a year ago, whilst the industrial production was only 0.4% over the level of the same period in last year. Manufacturing output increased by 0.1% in the three months to October 2007 compared with the three months to July 2007. Overall production output decreased by 0.1 per cent on a three-monthly basis. There was a decrease in output of 1.7 per cent in the mining and quarrying sector while output in the energy supply sector increased by 0.3 per cent. Within the mining and quarrying sector both oil and gas extraction fell due to seasonal reasons. There was a significant increase in the transport equipment industries, where output increased by 1.2 per cent
- Investment activities in Q3 were up 2.4 on the previous quarter and 2.7 on a year ago.
- Business investment for the third quarter of 2007 is estimated to be 6.6% higher than the same period of last year, and 2.0 % higher than the previous quarter. The quarterly rise in business investment is largely due to increased capital spending by industries classified as private sector non-manufacturing. Within this, there was increased investment within construction (up 12.7%), other production (up 3.5%) and other services (up 2.3 per cent) but reduced investment within distribution (down 3.7%). Investment by industries within non-manufacturing public corporations rose by 9.0%.
- Stainless steel: for most stockholders, the market has started quietly in 2008. For some distributors such as Damstahl, the demand for stainless steel products returned significantly in early January. In general, the demand situation has slightly improved in January.
- Some stockholders are running out of stocks. Thus, they have to place new orders again to replenish their stocks. However, they all have a conservative strategy – to minimize risks.
- Prices in the UK market have been more consistent in the last weeks. A further market price stabilization is expected for the near future.



October Imports reached the April/May Level again – Imports on Year-to-Date Basis down by minus 6%

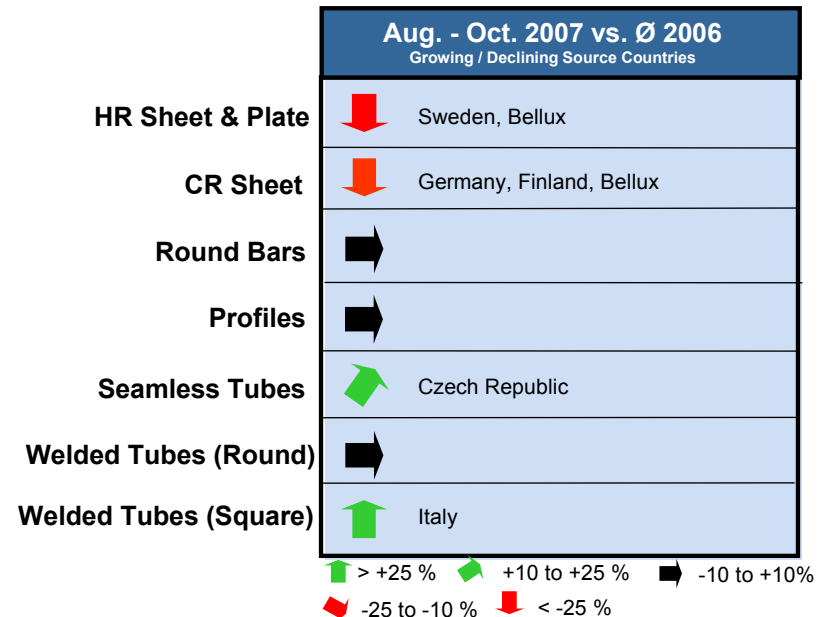
Imports of Stainless Steel Materials into the United Kingdom (in tonnes)

Products	2006		2007									
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
HR Sheet & Plate	8.293	7.301	8.740	6.578	8.793	6.321	7.309	7.457	6.527	3.369	3.938	5.251
CR Sheet	16.935	14.100	18.250	16.924	15.666	13.333	11.713	10.482	10.484	6.257	8.449	11.427
Round Bars	4.780	4.279	5.404	5.476	5.218	3.749	3.628	4.033	4.812	2.638	3.844	4.700
Profiles	293	378	286	201	283	183	103	200	285	264	279	233
Seamless Tubes*	979	1.069	932	859	1.337	865	1.358	1.448	932	781	839	1.218
Welded Tubes (Rounds)	2.600	1.679	2.368	1.668	2.204	1.595	1.644	1.792	1.594	1.190	1.593	1.886
Welded Tubes (Square)	691	366	1.242	464	953	377	456	295	715	461	436	1.330
All Products	34.571	29.172	37.222	32.170	34.454	26.423	26.211	25.707	25.349	14.960	19.378	26.045

*excl. Mother Tubes

Products	2006 full year	2006 ytd	2007 ytd	% change ytd
HR Sheet & Plate	79.079	63.485	64.283	1%
CR Sheet	166.954	135.919	122.985	-10%
Round Bars	56.530	47.471	43.502	-8%
Profiles	4.444	3.773	2.317	-39%
Seamless Tubes*	11.377	9.329	10.569	13%
Welded Tubes (Rounds)	23.764	19.485	17.534	-10%
Welded Tubes (Square)	7.978	6.921	6.729	-3%
All Products	350.126	286.383	267.919	-6%

*excl. Mother Tubes



Sources: ISSB, [SMR - Steel & Metals Market Research Analysis](#)



Germany and Italy hold a combined Import Share of 35% - Tubes dominated by Italian Suppliers

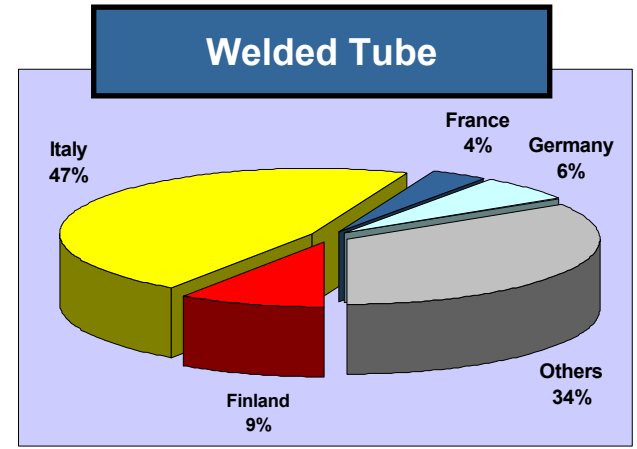
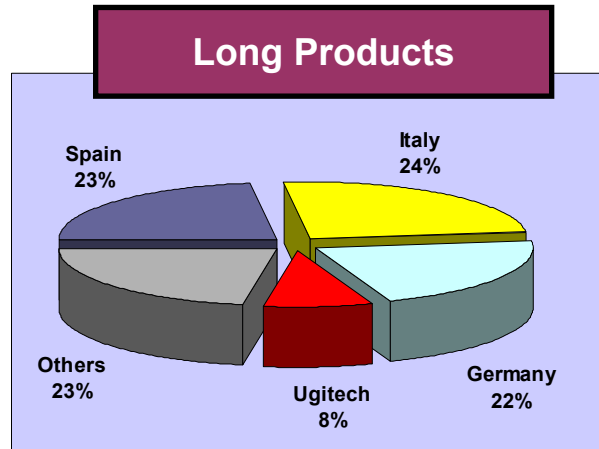
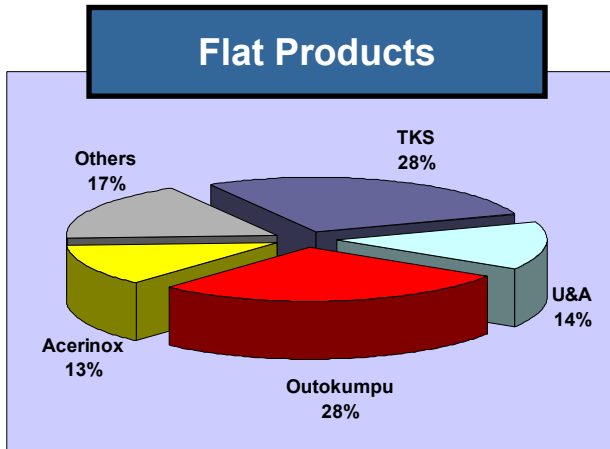
Imports of Stainless Steel Materials into the United Kingdom (Oct. 2007)

Country of Origin	HR Plate	CR Sheet	STS Bars (round)	STS Profiles	Seamless Tube	Welded Tube (round)	Welded Tube (square)	TOTAL	TOTAL
	in tonnes								%
Germany	612	2.549	1.057	37	83	123	79	4.540	17%
Italy	175	848	1.249	8	36	1.071	1.054	4.441	17%
Finland	1.020	3.150	2			63	17	4.252	16%
Spain	408	2.006	905	79	90	12	16	3.516	13%
Sweden	731	753	27	17	69	83	75	1.755	7%
Bellux	1.270	434			4			1.708	7%
France	299	616	435		91	67	37	1.545	6%
South Africa	317	333						650	2%
Austria	50		217		191			458	2%
Taiwan	103	113	130		37			383	1%
Netherlands	2	156	34		73	66		331	1%
Switzerland			256	6				262	1%
Denmark		224	2	20				246	1%
USA	7	29	76	1	7	7		127	0%
Others	257	216	310	65	537	394	52	1.831	7%
TOTAL	5.251	11.427	4.700	233	1.218	1.886	1.330	26.045	100%

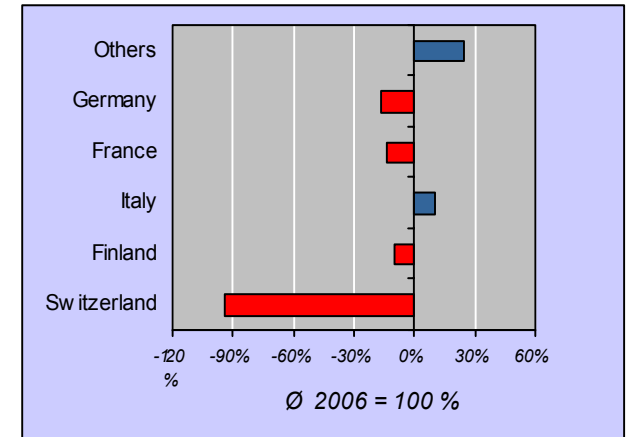
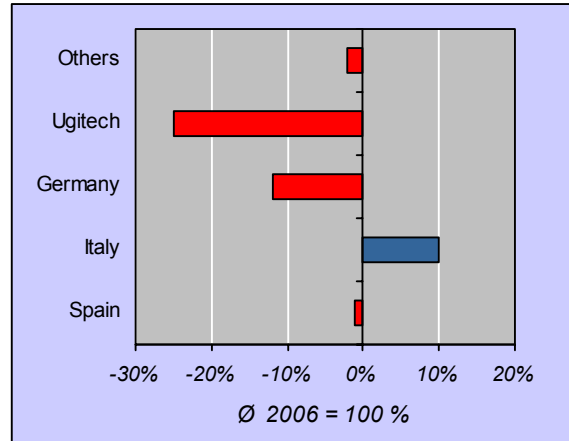
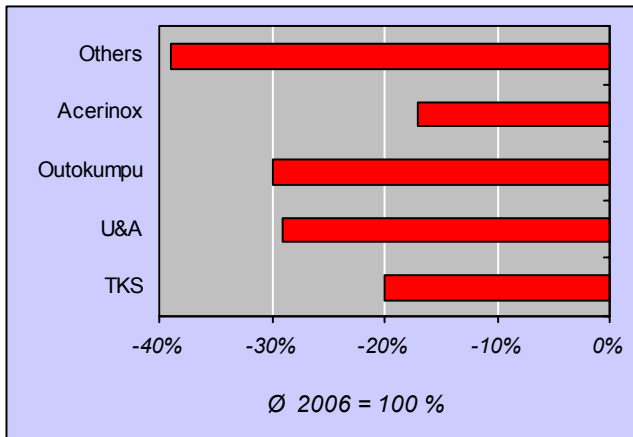


With very few Exceptions, Importers underperformed in Aug.-Oct. only Bars and Tubes from Italy in a better Position compared with 2006

Import Shares by Product Type (Aug. - Oct. 2007)

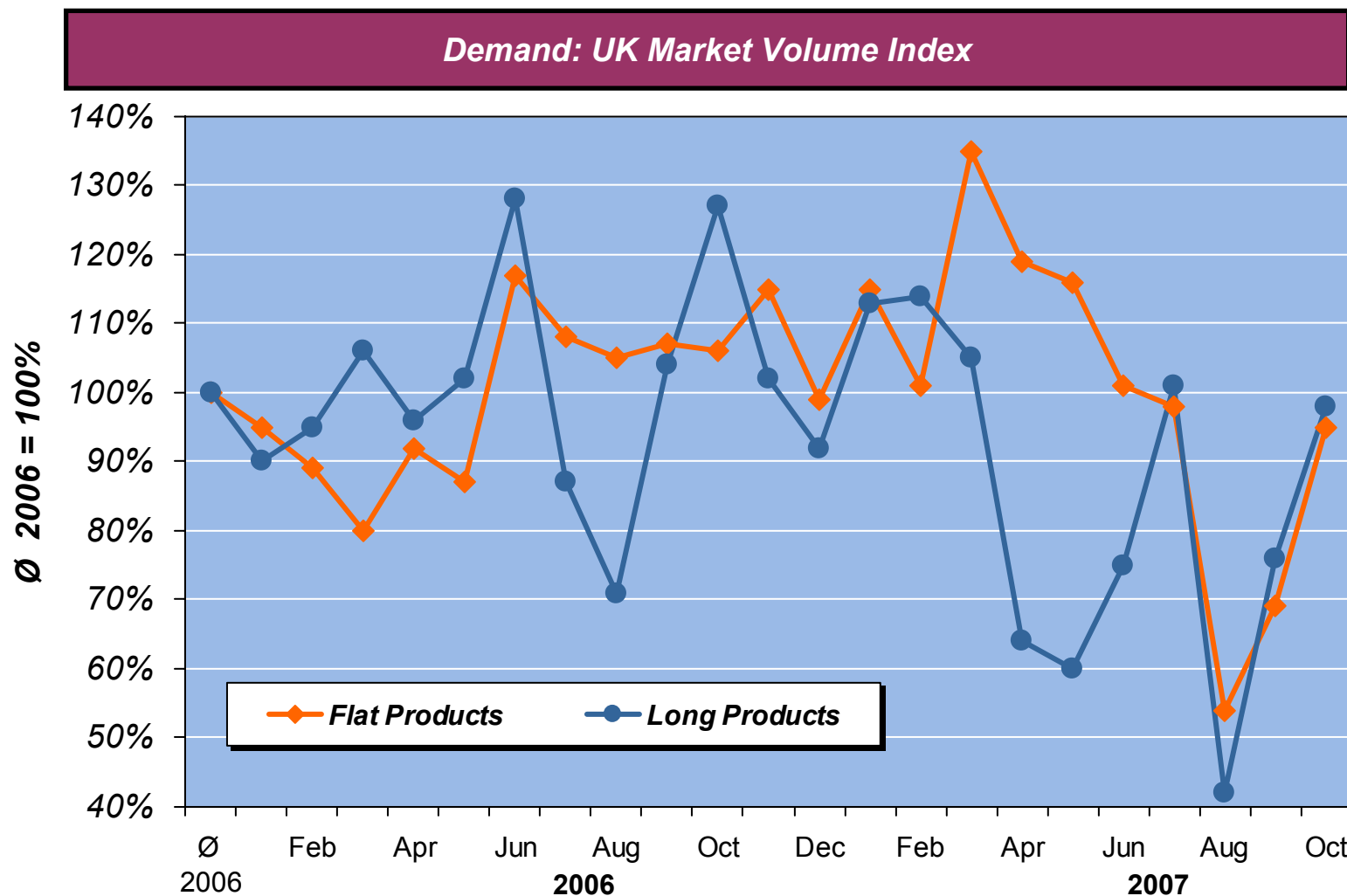


Import Position Aug. - Oct. 2007 to annual Ø 2006





Substantial Improvement in October – but both Flat and Long Products are still below 2006 Average Levels

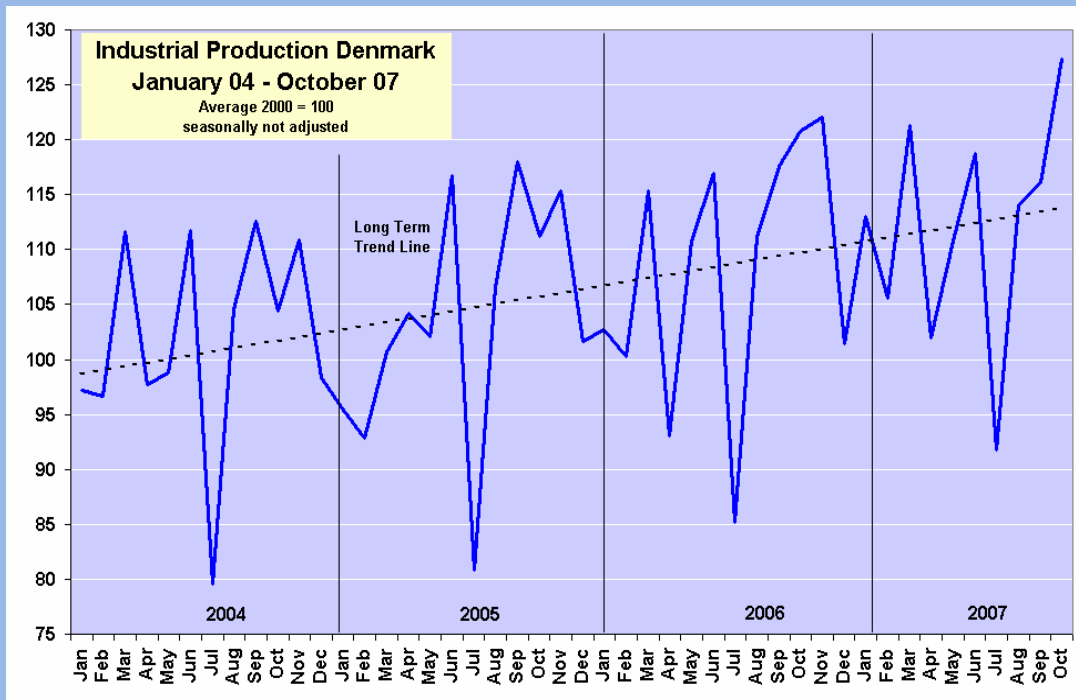


Source: [SMR - Steel & Metals Market Research Analysis](#)



Denmark - Summary

- The Danish industry recovered quickly after the summer slump. In October, the Danish industrial Production grew by over 10% compared to the previous month. The economy performed also well in the months after.
- The performance of the building and construction segment remained sluggish in Denmark. Envisaged law changes could increase the room for consumer money spending again in 2009.
- The Danish industry lost gradually competitiveness over the last years due to high wage increases which were highly above of the income increases at trading partners.
- The Danish pump manufacturer Grundfos took over the US pump manufacturer Peerless (Indianapolis) with a turnover of 110 million US\$ in 2007.
- The Danish stainless steel demand remained quiet in December 2007 and early January 2008. Seasonal reasons (holiday period) and newly introduced surcharges partially explain this buyers reluctance.
- New alloy surcharge calculation period is not considered as positive for stockholders. It reduces the options to react strategically on raw material price changes but also leads to a preference of European mills as suppliers. Asian mills are disadvantaged due to long delivery times in a market with monthly changing prices.
- Danish distributor stocks levels are satisfying. It is expected that the market will not increase its stocks substantially until the end of Q1/08.
- Volume-wise, Damstahl expects a substantial company growth up to 20% in 2008. In terms of profits, an average year is expected due to somewhat lower average market prices.
- Damstahl has successfully introduced new grades such as 1.4509 and 1.4016 and surfaces in customer seminars. Damstahl employed as well a chemical engineer for customer advisory and services.





Ytd: Denmark kept the 2006 level in 2007 – but September was the poorest Month for Importers since December 2006

Imports of Stainless Steel Materials into Denmark (in tonnes)

Products	2006			2007								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
HR Sheet & Plate	1.073	872	550	1.006	1.170	650	948	546	1.003	944	777	520
CR Sheet	5.715	7.921	2.565	9.432	8.835	8.032	7.408	4.002	6.629	4.837	4.002	2.289
Round Bars	1.920	1.457	912	1.806	2.056	1.868	1.671	1.585	1.469	1.341	1.301	1.533
Profiles	190	137	116	195	361	203	151	125	397	90	61	72
Seamless Tubes*	301	166	192	229	233	212	227	400	376	333	188	228
Welded Tubes (Rounds)	1.103	965	644	1.316	1.413	905	1.741	1.077	1.026	831	556	583
Welded Tubes (Square)	686	649	140	506	948	560	408	577	335	232	314	493
All Products	10.988	12.167	5.119	14.490	15.016	12.430	12.554	8.312	11.235	8.608	7.199	5.718

*excl. Mother Tubes

Products	2006 full year	2006 ytd	2007 ytd	% change ytd
HR Sheet & Plate	10.828	8.333	7.564	-9%
CR Sheet	72.661	56.460	55.466	-2%
Round Bars	17.122	12.833	14.630	14%
Profiles	1.730	1.287	1.655	29%
Seamless Tubes*	2.202	1.543	2.426	57%
Welded Tubes (Rounds)	10.913	8.201	9.448	15%
Welded Tubes (Square)	8.384	6.909	4.373	-37%
All Products	123.840	95.566	95.562	0%

*excl. Mother Tubes

July - Sept. 2007 vs. Ø 2006	
Growing / Declining Source Countries	
HR Sheet & Plate	Germany, France, Italy
CR Sheet	Finland
Round Bars	
Profiles	Spain, India
Seamless Tubes	Germany, Sweden
Welded Tubes (Round)	Italy, France
Welded Tubes (Square)	Italy

▲ > +25%
 ◆ +10 to +25%
 ▶ -10 to +10%
◆ -25 to -10%
 ▼ < -25%

Sources: ISSB, [SMR - Steel & Metals Market Research Analysis](#)



Flat Products performed extremely weak – whilst Imports of other Product remained in a better Shape

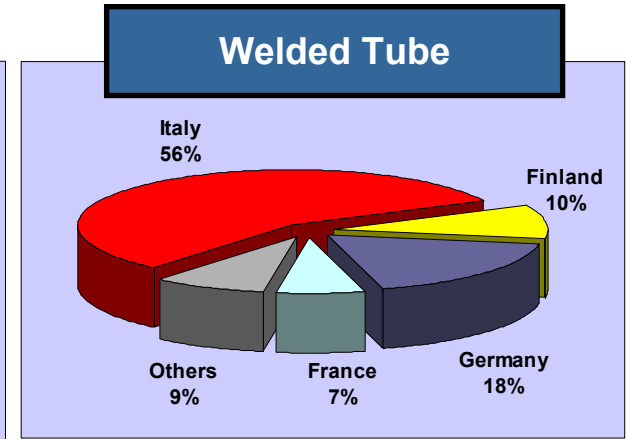
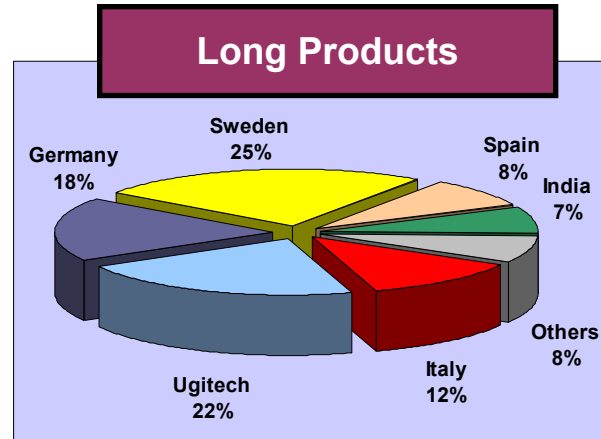
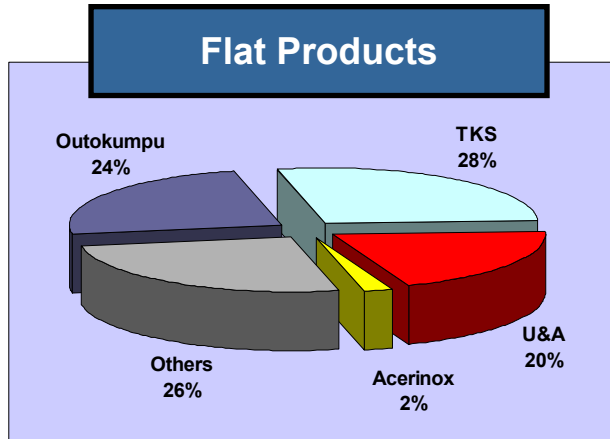
Imports of Stainless Steel Materials into Denmark (Sept. 2007)

Country of Origin	HR Plate	CR Sheet	STS Bars (round)	STS Profiles	Seamless Tube	Welded Tube (round)	Welded Tube (square)	TOTAL	TOTAL
	<i>in tonnes</i>								%
Sweden	359	767	369		59	43		1.597	28%
Germany	67	779	265	4	143	143	17	1.418	25%
Italy	6	52	225	1		337	256	877	15%
France	22	210	365			27		624	11%
Taiwan	23	305						328	6%
Finland		57				8	207	272	5%
Spain		86	136	47				269	5%
India			91	19				110	2%
Netherlands		1	29		15	11	3	59	1%
United Kingdom	1	29	4					34	1%
Austria					4	4	10	18	0%
Bellux	6	1		1				8	0%
South Africa								-	0%
Others	36	2	49	-	7	10	-	104	2%
TOTAL	520	2.289	1.533	72	228	583	493	5.718	100%

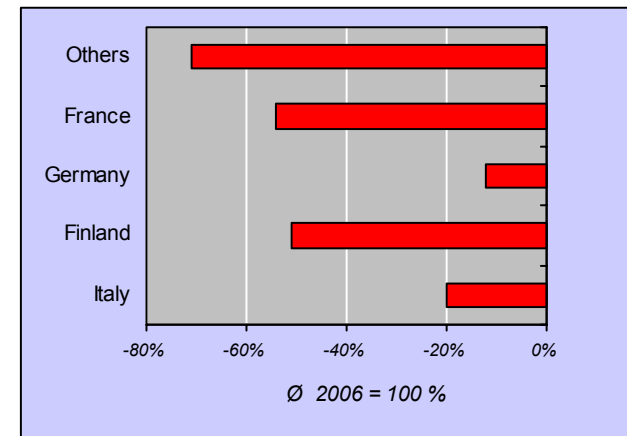
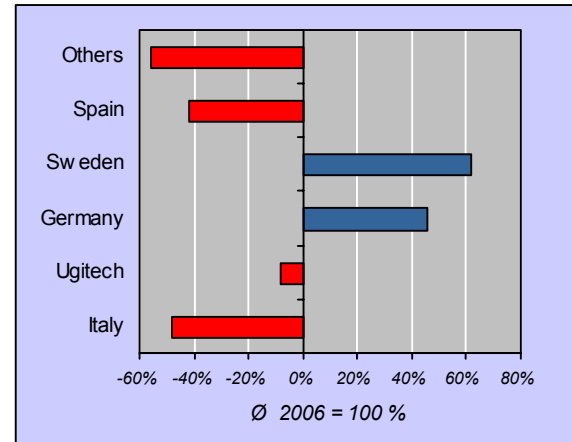
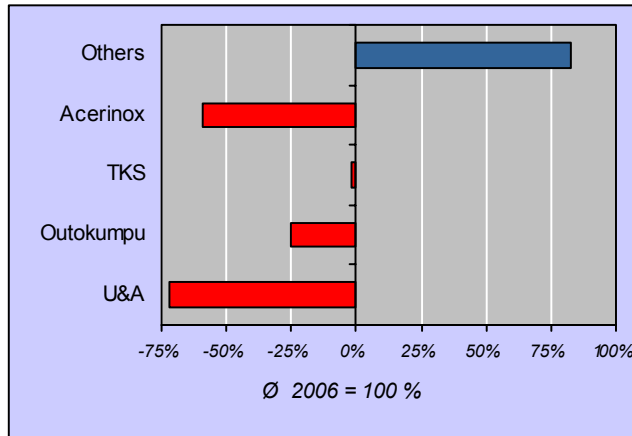


Flat: Non-European Imports improved their Position Welded Tube: Substantial Volume Losses at most Suppliers

Import Shares by Product Type (July - Sept. 2007)

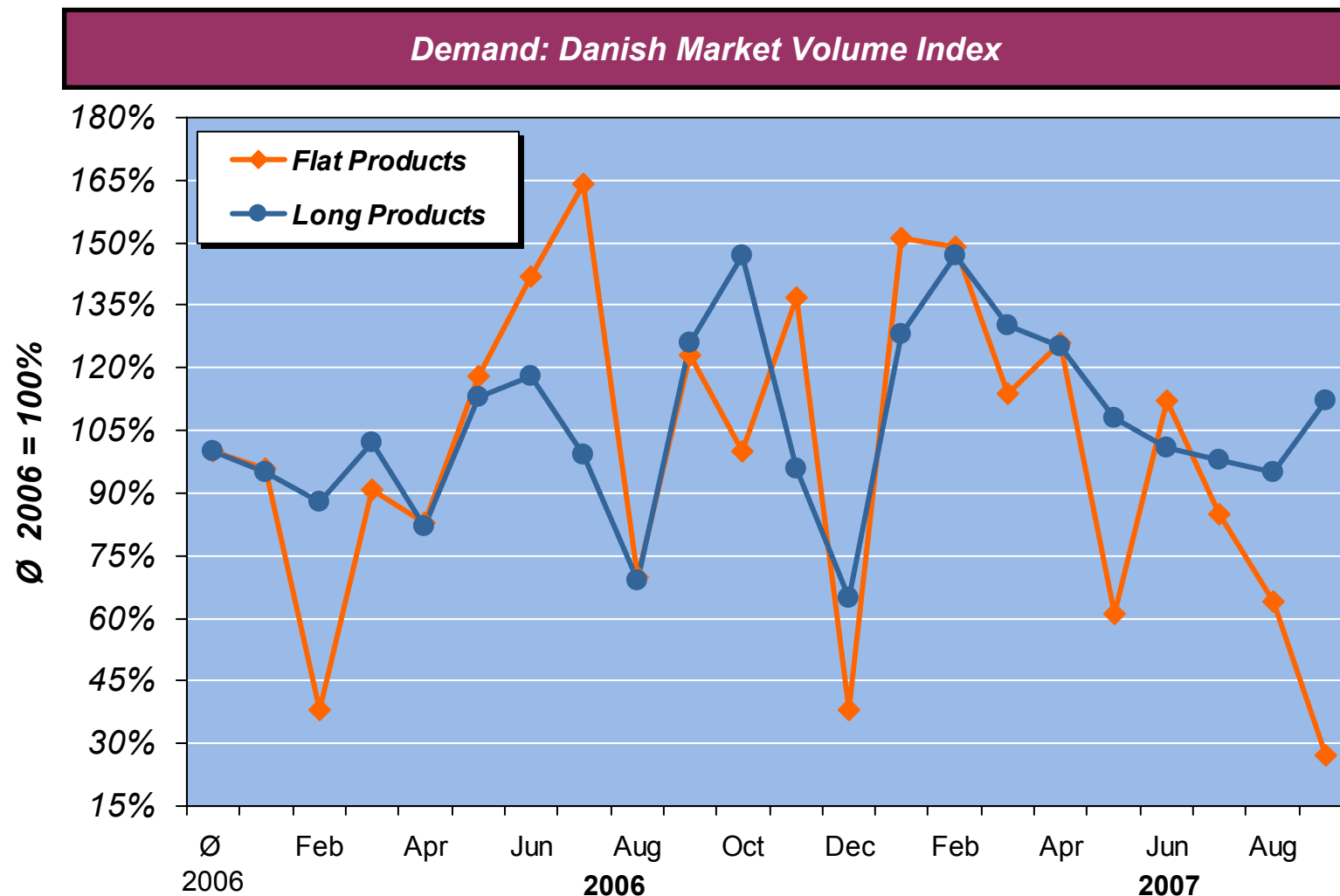


Import Position July - Sept. 2007 to annual Ø 2006

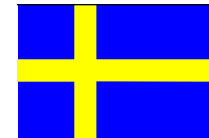




Market for Flat Products almost collapsed in September – whilst Long Products increased for the first Time since February

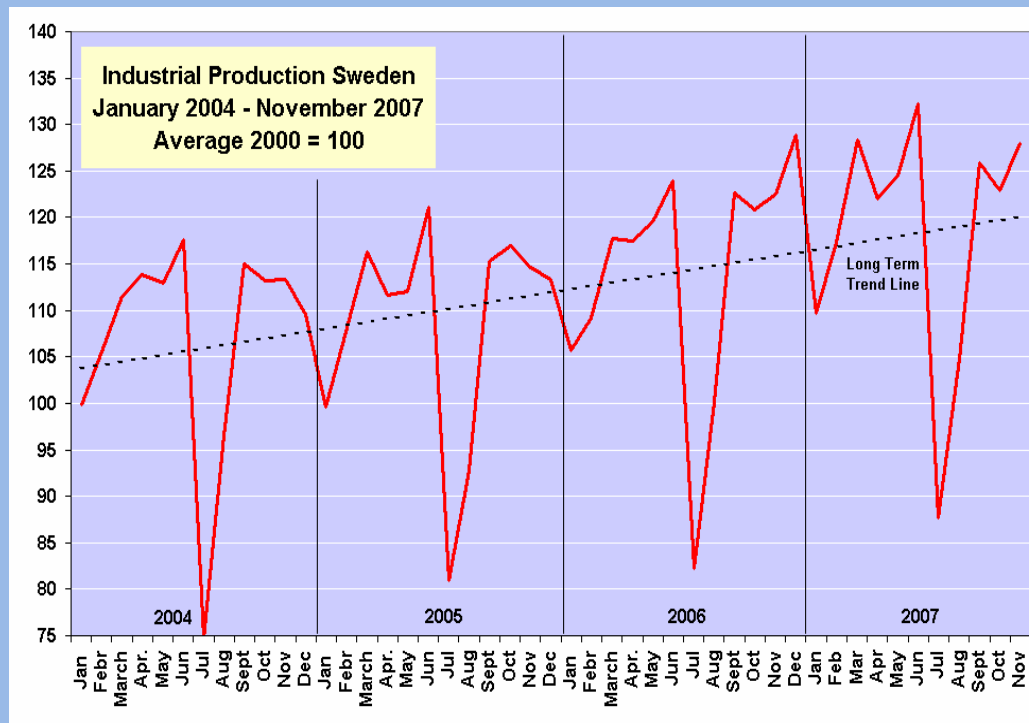


Source: [SMR - Steel & Metals Market Research Analysis](#)



Sweden – Summary

- The economic patterns in Sweden showed 2007 the same direction as in the years before. A weak summer period was followed by a fast growth in September to November. In general, 2007 has followed exactly the same path as 2006 and 2005 – but on a higher level.
- Industrial production increased by 2.3% from October to November 2007. Compared to November 2006 industrial production has increased by 4.2%. During the period September-November, production in the capital goods industry increased by 1.2% compared with the June-August. Intermediate goods industry decreased by 0.4%.
- According to preliminary estimates, new orders in Swedish industry increased by 0.1% from October to November. This reflected a 2.7% increase in the export market and a 3.5% decrease in the domestic market.
- Alfa Laval has finalized the acquisition of the Finnish company Fincoil. Fincoil has a turnover of ~SEK 375 million and 150 employees. The company has a well-established position in the Nordic countries, the Baltic countries and Russia. The intention is to fully integrate Fincoil into Alfa Laval.



- Stora Enso and the Nizhny Novgorod regional administration in Russia have signed a letter of intent for further pre-investment work for a paper and pulp mill in the region. The objective of the project is to manufacture paper for Russian consumers in Russia.
- Stainless steel business in December was rather weak due to public holidays. Compared to December 2006, the stainless steel business activity was below last year's level. In January, customers placed new orders. Thus, distributors has a fairly good start in 2008.
- The stainless steel year 2007 was not bad in Sweden. It is expected that distributors sold more volume than in the previous year. Profits are expected to be somewhat lower than in 2006.
- It is expected that the Swedish economy remains strong in 2008 - Stainless steel distributors will participate with good results.



Y-o-Y, CR Sheet lost 7% until September 2007 – Imports of all other Product Forms above 2006 Y-t-d Quantities

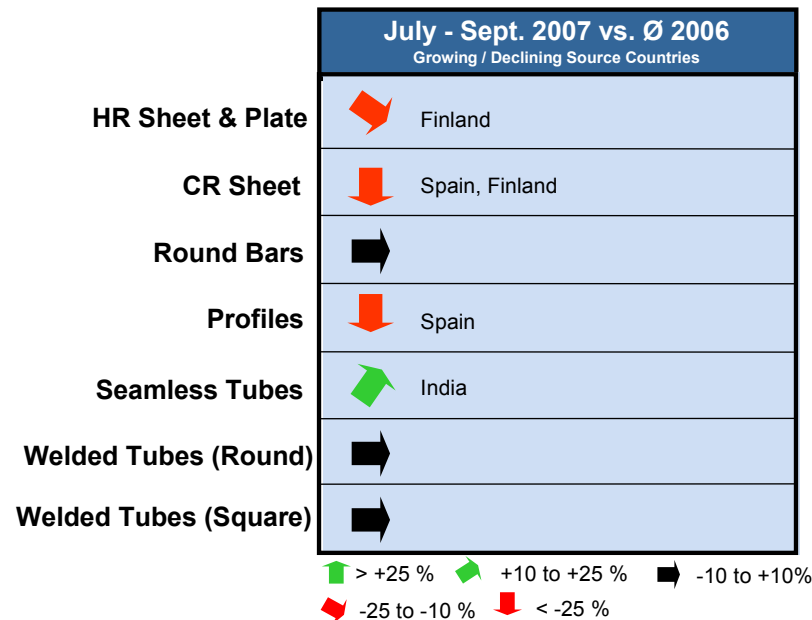
Imports of Stainless Steel Materials into Sweden (in tonnes)

Products	2006			2007								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
HR Sheet & Plate	4.634	4.710	2.521	4.056	2.860	2.319	1.570	1.901	1.721	1.236	3.174	1.913
CR Sheet	10.555	14.225	12.393	15.523	12.231	11.660	8.011	8.651	7.317	5.543	7.635	7.953
Round Bars	2.600	3.640	2.365	2.772	4.261	2.835	2.449	3.570	2.579	2.241	3.117	2.259
Profiles	517	700	370	613	768	536	375	499	271	155	269	227
Seamless Tubes*	227	238	173	220	173	123	221	204	141	125	112	146
Welded Tubes (Rounds)	1.187	1.079	927	1.135	1.055	1.146	1.113	892	1.300	502	1.652	644
Welded Tubes (Square)	622	872	790	638	723	1.186	371	1.125	810	255	402	642
All Products	20.342	25.464	19.539	24.957	22.071	19.805	14.110	16.842	14.139	10.057	16.361	13.784

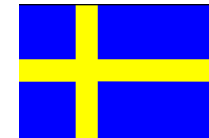
*excl. Mother Tubes

Products	2006 full year	2006 ytd	2007 ytd	% change ytd
HR Sheet & Plate	31.838	19.973	20.750	4%
CR Sheet	127.945	90.772	84.524	-7%
Round Bars	32.669	24.064	26.083	8%
Profiles	4.942	3.355	3.713	11%
Seamless Tubes*	1.788	1.150	1.465	27%
Welded Tubes (Rounds)	12.359	9.166	9.439	3%
Welded Tubes (Square)	7.157	4.873	6.152	26%
All Products	218.698	153.353	152.126	-1%

*excl. Mother Tubes



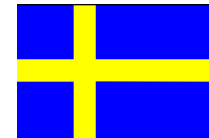
Sources: ISSB, [SMR - Steel & Metals Market Research Analysis](#)



Spain dominated Imports once again – Import Share (including South Africa) reached a level of over 40%

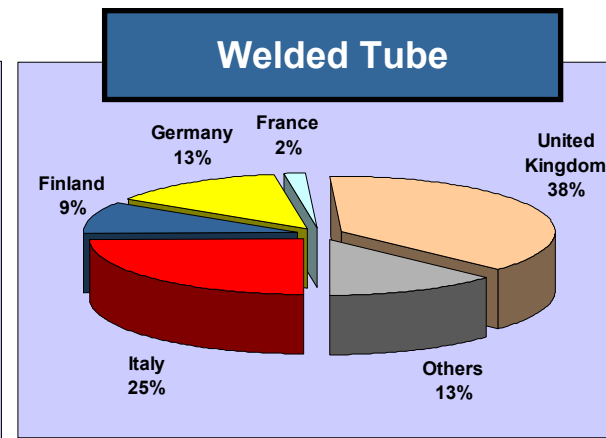
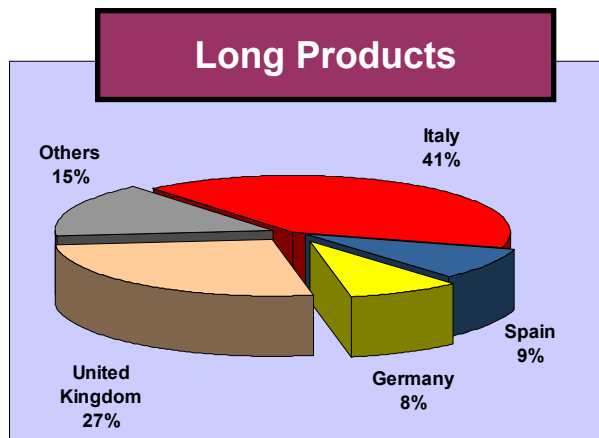
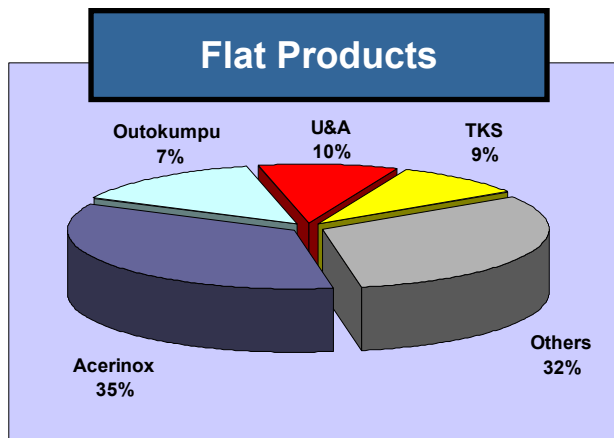
Imports of Stainless Steel Materials into Sweden (Sept. 2007)

Country of Origin	HR Plate	CR Sheet	STS Bars (round)	STS Profiles	Seamless Tube	Welded Tube (round)	Welded Tube (square)	TOTAL	TOTAL
	in tonnes								%
Spain		4.040	321	42		12		4.415	32%
Finland	465	1.329	2		9	74	444	2.323	17%
South Africa	787	814						1.601	12%
Italy	51	12	1.116	56		145	17	1.397	10%
Germany	205	519	199	8	29	162	80	1.202	9%
Denmark	73	349	185	33	13	87	99	839	6%
France	53	709	5		6	29		802	6%
United Kingdom	3		270	7	1	117		398	3%
Bellux	67	56	2	2				127	1%
Japan	76	7			5			88	1%
Austria			44	11	13			68	0%
Taiwan			26					26	0%
India			22					22	0%
USA		2			18			20	0%
Others	133	116	67	68	52	18	2	456	3%
TOTAL	1.913	7.953	2.259	227	146	644	642	13.784	100%

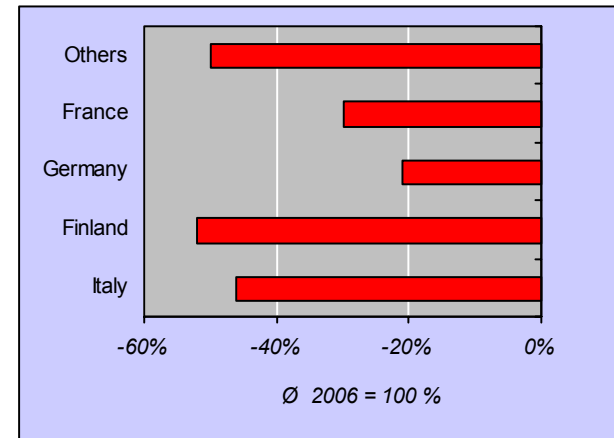
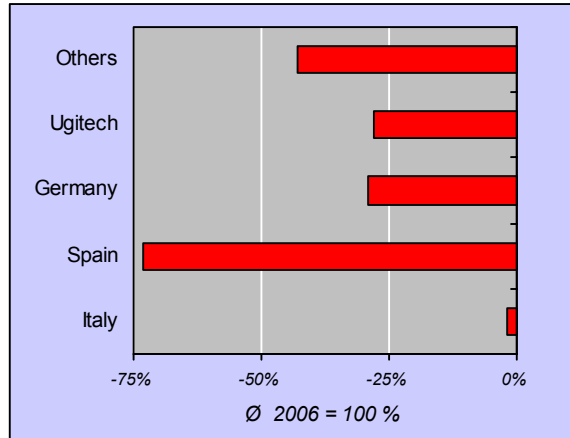
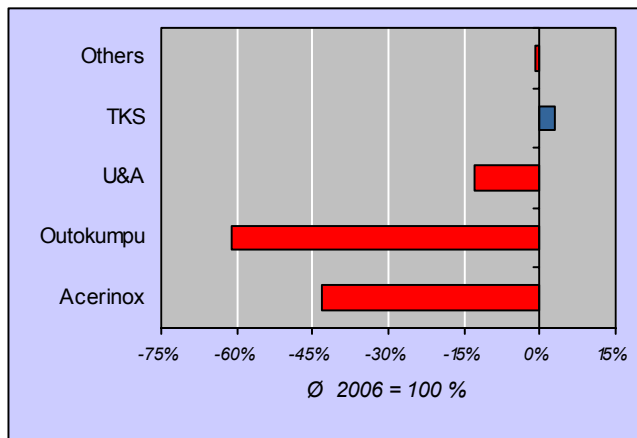


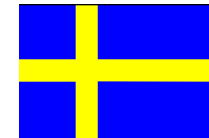
TKS was the only Supplier which was able to defend its Import Position in July-September 2007

Imports Shares by Product Type (July - Sept. 2007)

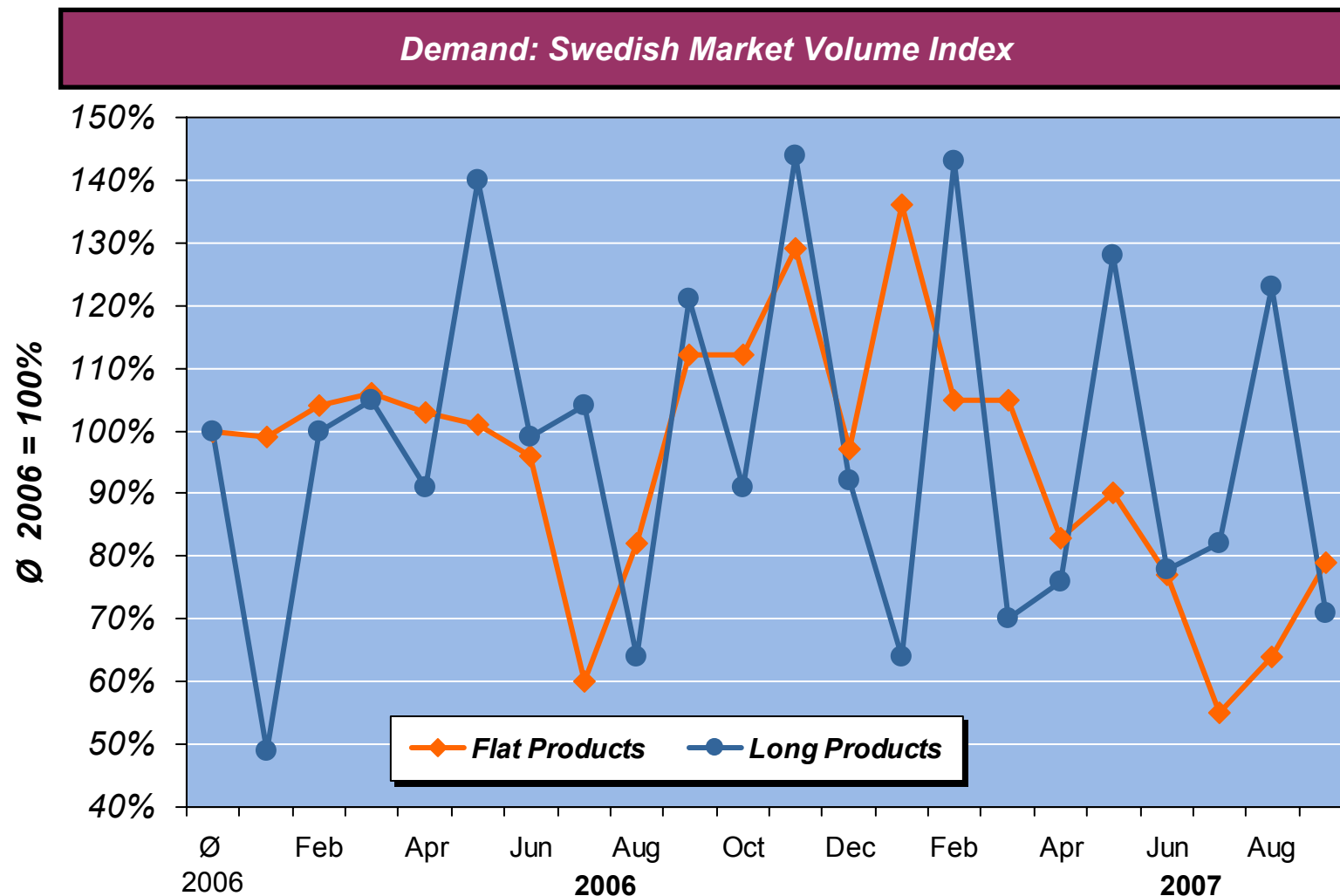


Import Position July - Sept. 2007 to annual Ø 2006





Swedish Market Volume remained low in September – A slight Improvement of Flat Products after two Months of Underperformance

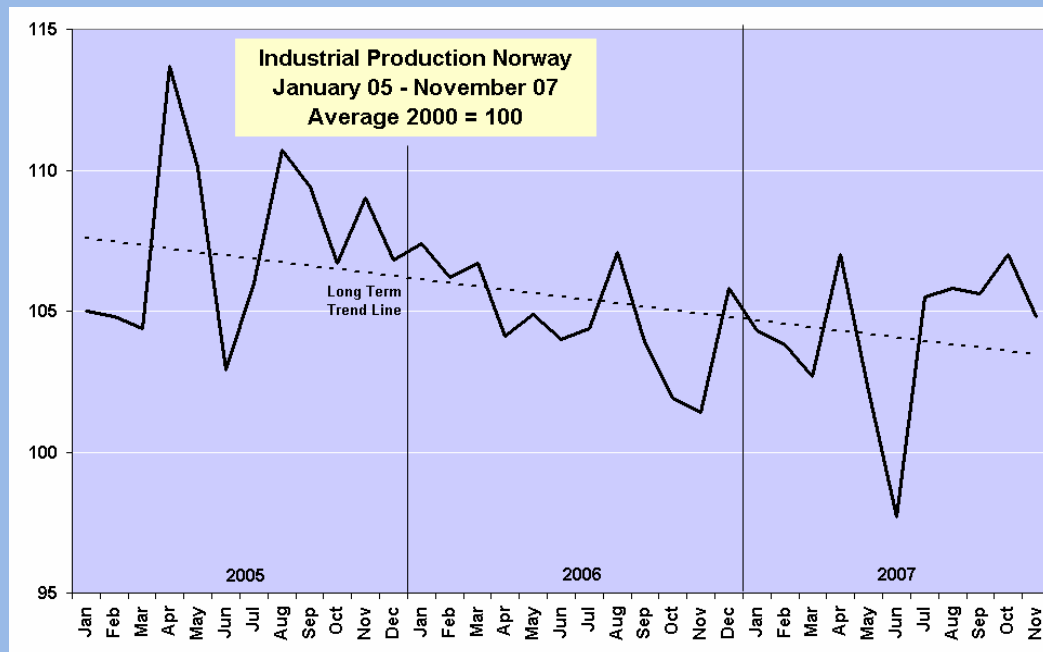


Source: [SMR - Steel & Metals Market Research Analysis](#)



Norway - Summary

- The demand remained excellent in Norway: Investment goods remained the growth driver in the Norwegian industry. Production of investment goods reached a continuous index level of over 125 index points (1995 =100). Other products such as consumer goods and production of crude oil and natural gas is still in the same range as it was in 1995.
- In general, the Industrial production showed a negative trend due to reduction in North Sea Oil Production over the last years. In 2007, production of crude oil and natural gas fell by another 2-3% in 2007.
- Approximately 25% of Norway's GDP is achieved in oil / gas production outside Mainland Norway.
- Other key data in Norway are very well: Unemployment rate of 2.5% and high GDP growth rates.



- Stolt-Nielsen SA, one of the leading logistics and transport companies world wide, reached an operating income of 146 million US\$ in the first nine months of 2007 (2006: 122 million US\$). As operator, the company has ordered 19 tankers (including chemical tankers) until 2012. 10 additional new buildings will be operated in co-operation with partner companies.
- BP Norway has awarded Aker Kvaerner a contract for tow and installation of a floating production storage and offloading unit (FPSO). The FPSO will be installed at the Skarv field in the North Sea. The total contract value is approximately NOK 300 million
- StatoilHydro started to supply gas from the Njord field in the Norwegian Sea. StatoilHydro invested 1.2 bn NOK until 2020.
- The stainless steel demand in Norway remains tight. Particularly long products for investment good industry, fish industry and handling systems is highly ordered.
- Stainless steel stocks are still on a high level. There is no need for additional stocking activities in the near future.
- Damstahl Norway expects an increase of 25% in sales volume in 2008, which is considered as very promising for the company.



Norwegian Imports in a remarkable good Shape in October / November However, Cold Rolled Sheet minus 13% on Ytd Basis!

Imports of Stainless Steel Materials into Norway (in tonnes)

Products	2006	2007										
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
HR Sheet & Plate	978	612	904	1.176	839	797	921	605	312	1.386	864	1.345
CR Sheet	1.872	1.992	2.018	1.792	1.793	2.135	1.838	910	1.305	1.351	2.165	2.898
Round Bars	522	753	791	687	635	788	551	551	473	488	1.173	733
Profiles	82	118	182	194	198	135	182	132	87	174	220	127
Seamless Tubes*	777	813	629	853	795	364	491	641	359	705	1.239	667
Welded Tubes (Rounds)	422	651	671	577	680	822	649	337	418	534	897	739
All Products	4.653	4.939	5.195	5.279	4.940	5.041	4.632	3.176	2.954	4.638	6.558	6.509

*excl. Mother Tubes

Products	2006 full year	2006 ytd	2007 ytd	% change ytd
HR Sheet & Plate	9.038	8.060	9.761	21%
CR Sheet	25.035	23.163	20.197	-13%
Round Bars	6.951	6.429	7.623	19%
Profiles	1.337	1.255	1.749	39%
Seamless Tubes*	7.452	6.675	7.556	13%
Welded Tubes (Rounds)	7.428	7.006	6.975	0%
All Products	57.241	52.588	53.861	2%

*excl. Mother Tubes

Sept. - Nov. 2007 vs. Ø 2006	
Growing / Declining Source Countries	
HR Sheet & Plate	↑ Bellux, Sweden
CR Sheet	↘ France, Sweden
Round Bars	↑ Sweden, Germany, France
Profiles	↑ France
Seamless Tubes	↑ Czech Republic
Welded Tubes (Round)	↘ Italy, Finland

↑ > +25 %
 ↘ +10 to +25 %
 ▣ -10 to +10%
↘ -25 to -10 %
 ↓ < -25 %

Sources: ISSB, [SMR - Steel & Metals Market Research Analysis](#)



Open Market for Suppliers from many Countries – but dominated by Sweden and Finland (~40% of Imports)

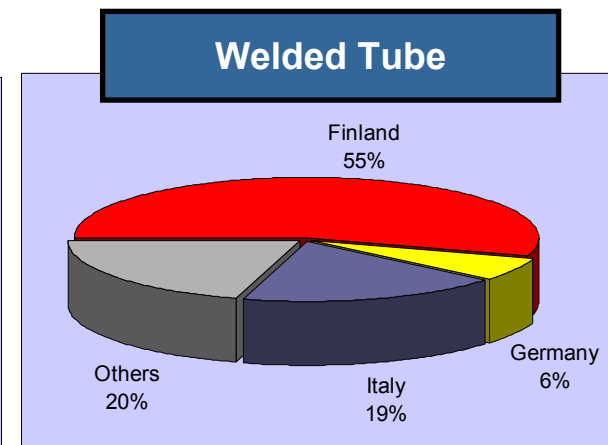
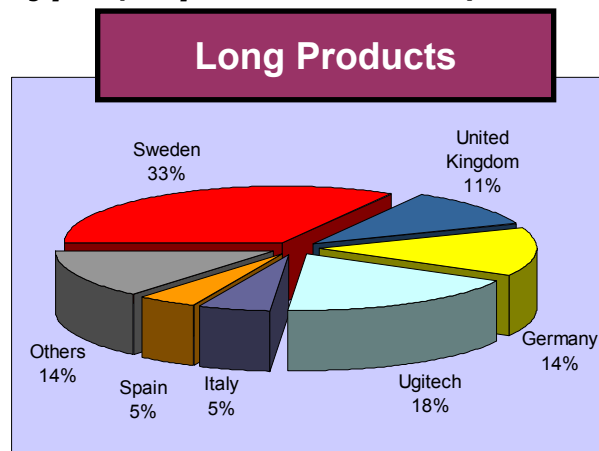
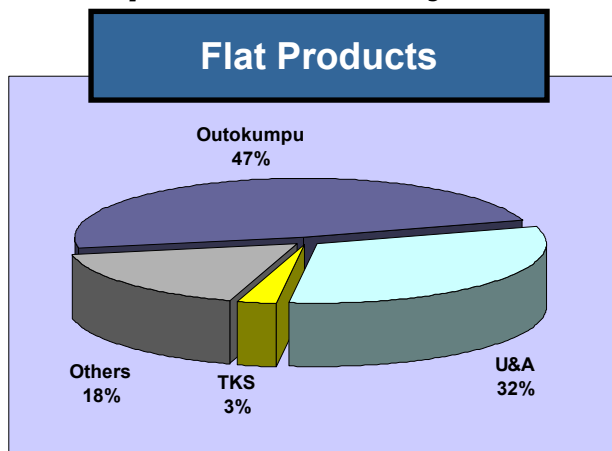
Imports of Stainless Steel Materials into Norway (Nov. 2007)

Country of Origin	HR Plate	CR Sheet	STS Bars (round)	STS Profiles	Seamless Tube	Welded Tube (round)	TOTAL	TOTAL
	<i>in tonnes</i>							%
Sweden	419	701	293	21	93	134	1.661	26%
Finland	42	624				213	879	14%
Bellux	740	7					747	11%
France	31	515	63	81			690	11%
Denmark	31	271	52	2	8	3	367	6%
Italy	1	7	38		31	259	336	5%
Germany	52	39	103	16	41	74	325	5%
Czech Republic					276		276	4%
United Kingdom	13	-	160	2	52		227	3%
Spain	1	10	9		93	1	114	2%
Netherlands					9	29	38	1%
Austria					17		17	0%
Japan					7		7	0%
India							-	0%
Others	15	724	15	5	40	26	825	13%
TOTAL	1.345	2.898	733	127	667	739	6.509	100%

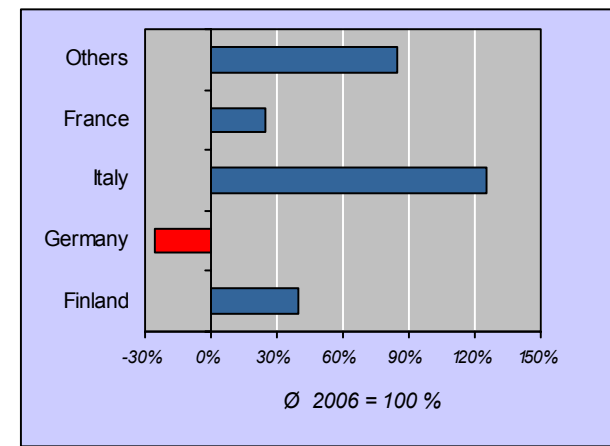
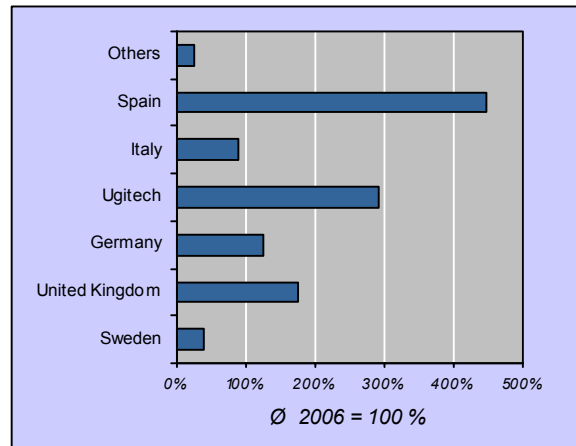
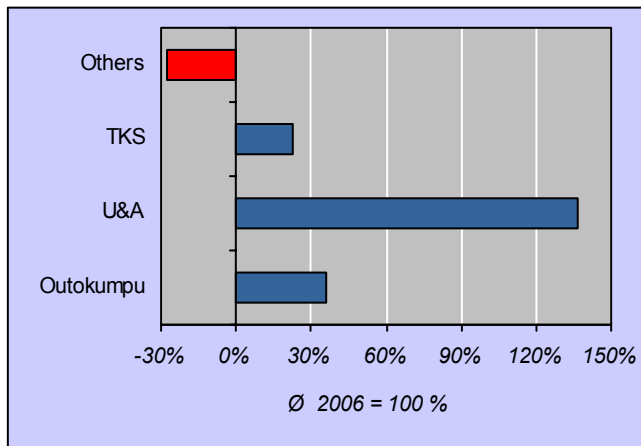


Flat: Outokumpu and U&A dominate Norway with almost 80% Share Long / Tubes: Slight Changes lead to big Increases in a small Market

Imports Shares by Product Type (Sept. - Nov. 2007)

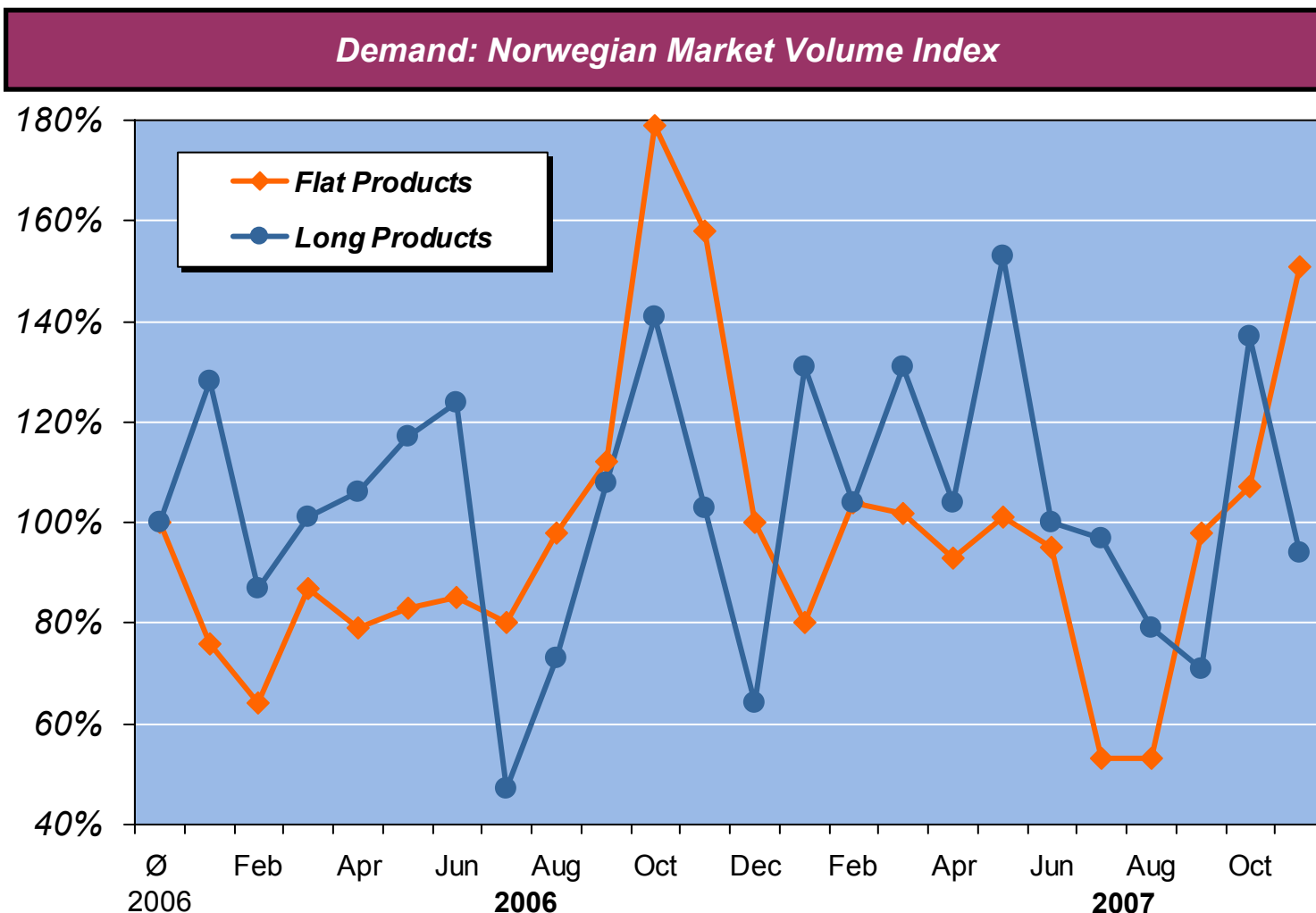


Import Position Sept. - Nov. 2007 to annual Ø 2006





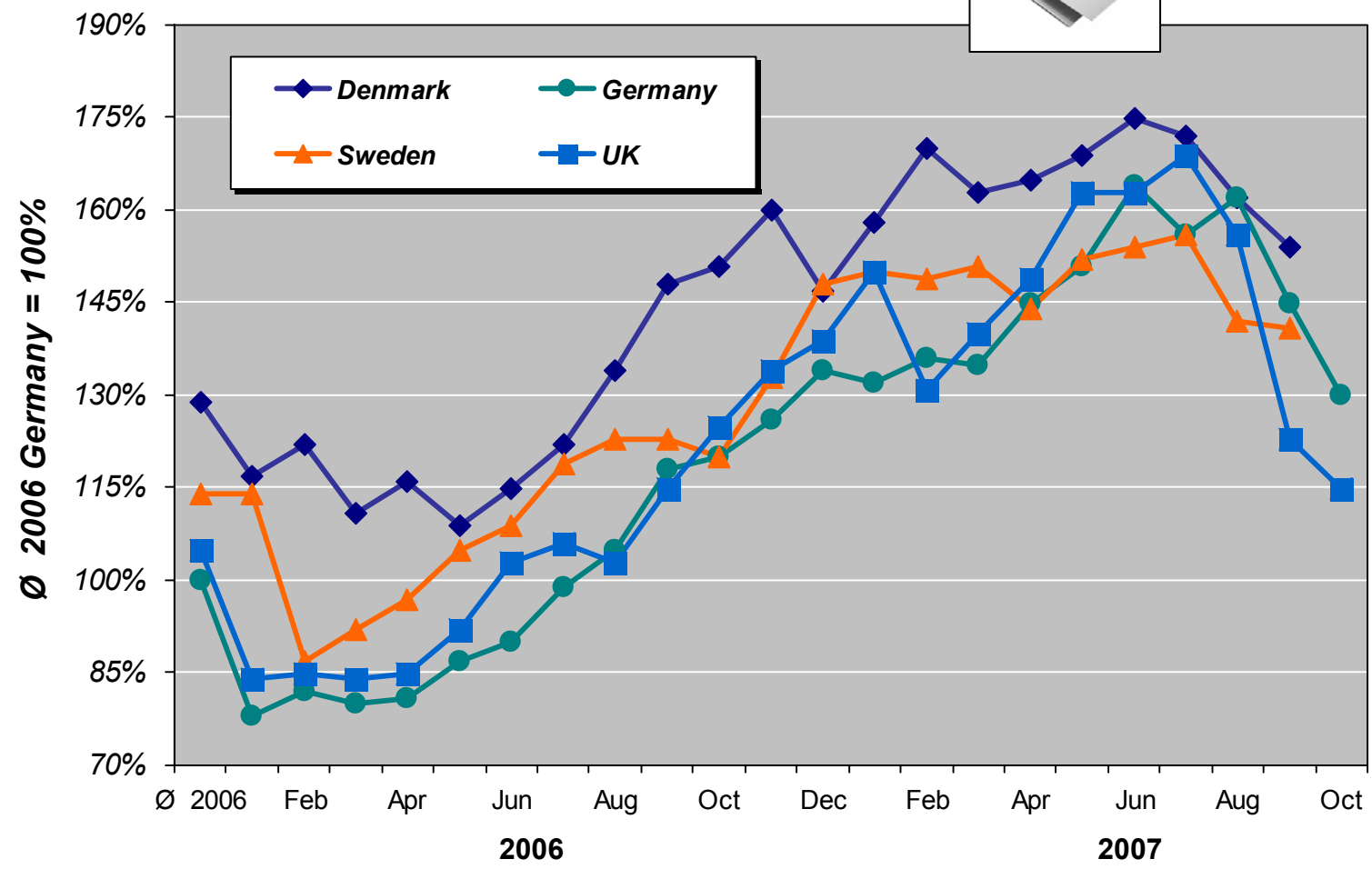
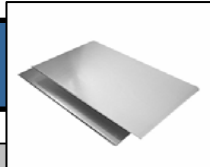
Flat Products perform similar to 2006, whilst Long Products perform with a lot of ups and downs



Source: [SMR - Steel & Metals Market Research Analysis](#)

Price Drop started in all Damstahl Countries in July/August Downward Tendency for the Rest of 2007 expected

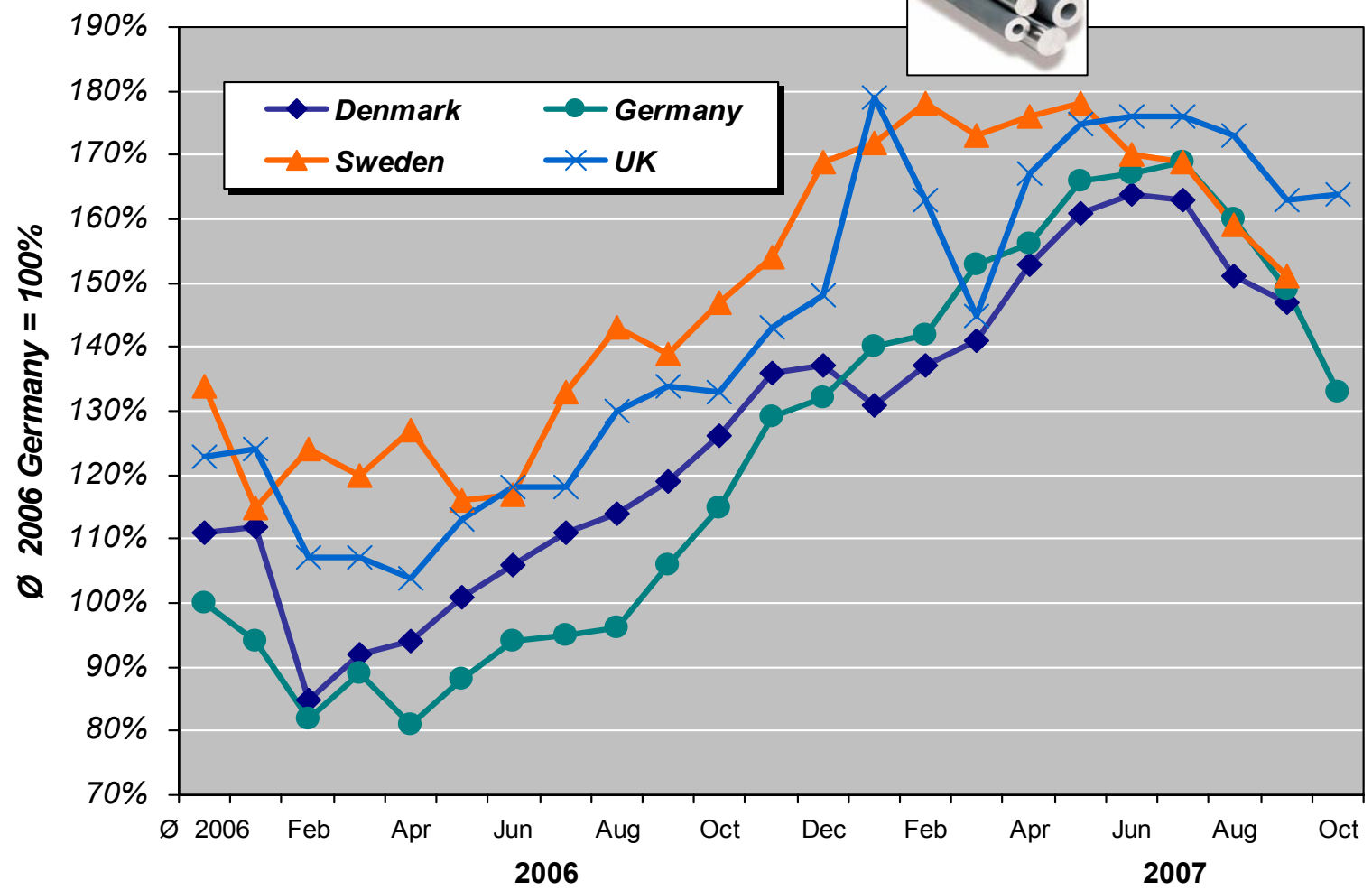
Price Index for Stainless Steel CR Sheet (Austenitic)



Source: [SMR - Steel & Metals Market Research Analysis](#)

Also lower Price Levels for Bars – compared with flat products, bar prices decreased somewhat smoother

Price Index for Stainless Steel Round Bars (Austenitic)



Source: [SMR - Steel & Metals Market Research Analysis](#)

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3.

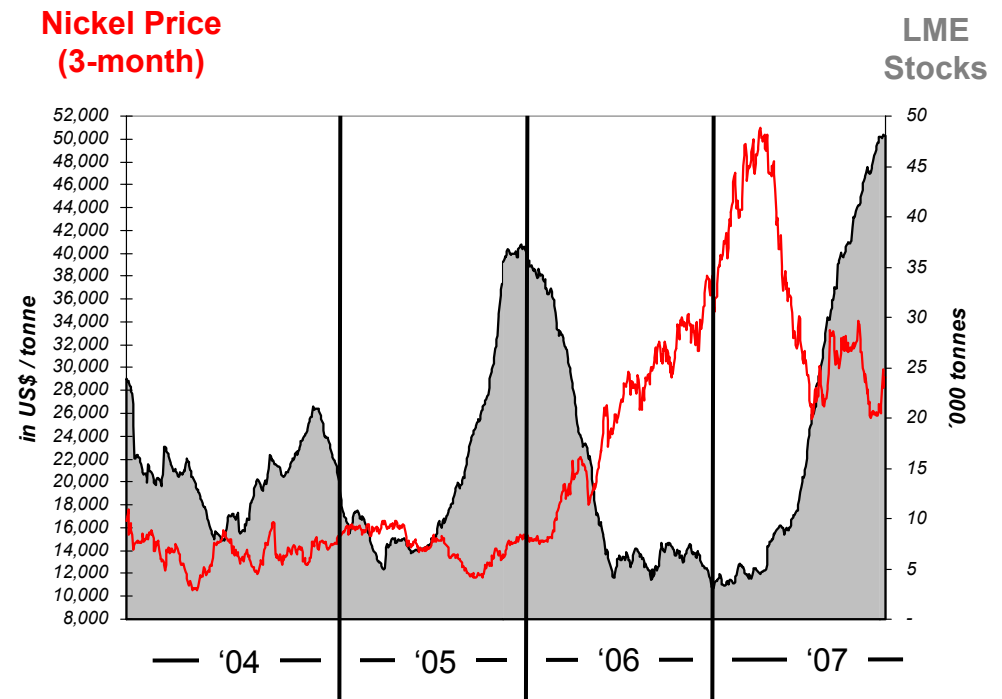
Raw Materials

- ▶ Nickel
- ▶ Chrome
- ▶ Molybdenum
- ▶ Stainless Steel Scrap

Bulls versus Bears: Ni Price Increase or Decrease – both Options are realistic

- The bulls (Ni producers, traders & speculators) and bears (reality) continue to fight. The suppliers strive to keep Ni stocks below the psychological important level of 50,000 t to strengthen the support line at 25,000 \$/t. But the continuously sluggish nickel demand, which has now also reached China and other Asian countries who reduced their stainless output by up to 40% in January indicates that the Ni market is still in supply – surplus. But, will this surplus material ever reach the LME warehouses? If yes, prices could fall further. If not, they remain relatively stable.
- UC Rusal has purchased 27% and one vote of Norilsk Nickel. By this transaction, Rusal - run by Oleg Deripaska, one of the most powerful Russian oligarchs - became the biggest shareholder of Norilsk Nickel. Glencore (with its 35% stake in Xstrata) is also important shareholder in UC Rusal – and indirectly now also involved in Norilsk.
- Eramet is in the focus of the industry since the 37% stake holder family Duval explained its interest to sell its share. According to market rumours, stainless steel producer ArcelorMittal is considered as possible buyer. However, it would not be a surprise if nickel manufactures would also explain their interest.
- Rio Tinto plans to enter the nickel market. The London based company plans to develop two mines: one mine in Michigan / United States, the other in Indonesia. The mine in Michigan could start up already in 2009, whilst the bigger Indonesian mine (capacity approx. 50,000 t) will start up 5-6 years later.

LME Nickel (3-month) Price & LME Stocks

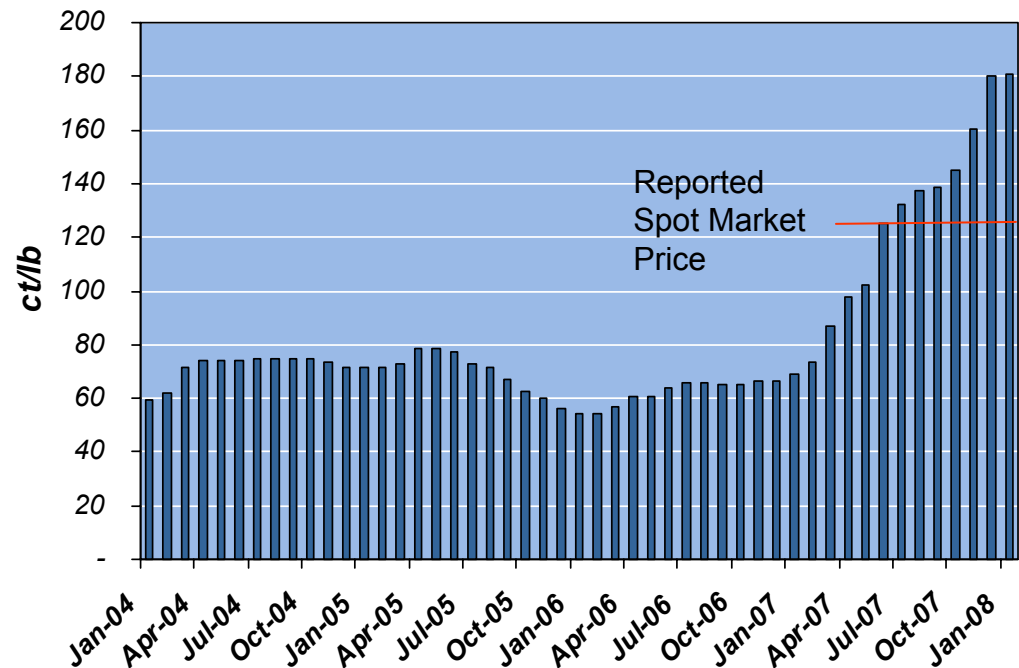


Sources: LME

Price Gap between Spot Market Price and Contract Price has widened up to almost 60 cents per lb

- There are significant price differences in the FeCr market. At the high end, spot market prices will reach a level of 180 ct/lb in February, whilst contract price for Q1/08 are at a level of 120 ct/lb.
- South African suppliers will receive 121 ct/lb for FeCr in Q1/08. Further price increases are expected in the market – in contrast to nickel, Chrome is not replaceable in the stainless steel. It is also hardly available in form of ferritic, CrMn and Duplex scrap, which will become more important in the future due to substitution.
- Sinosteel China has acquired 92% of Zimasco's (Zimbabwe) stakes with the option to take over the remaining shares later. Sinosteel will channel the material almost completely to China. Sinosteel is already involved in ASA Metals and Samancor (both South Africa)
- Oriel Resources announced the production start of its Voshkod mine for Q3/08.
- ENRC (Kazakhstan) announced its interest to acquire the Russian Serov Ferroalloy from International Mineral Resources. They offered 210 million US\$ for the plant. A decision about the offer is not taken yet.

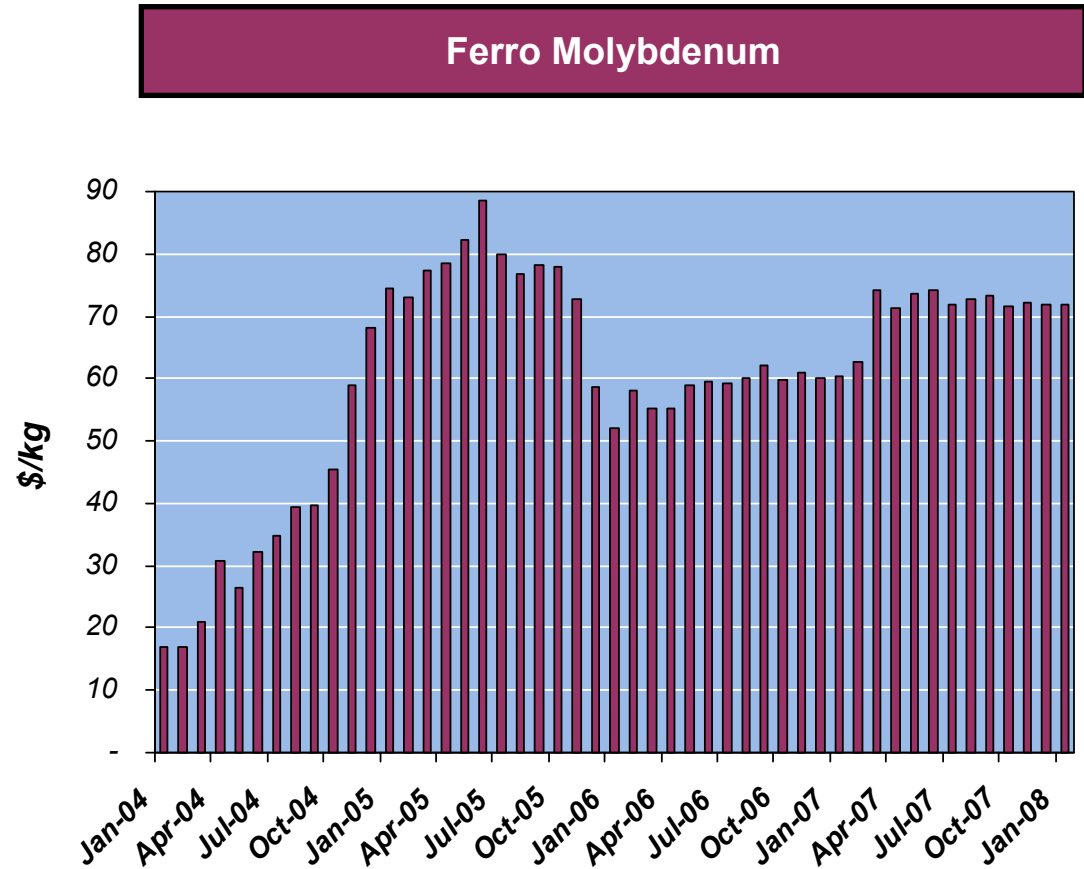
Ferro Chrome (Spot Market Price)



Sources: Metal Bulletin, press releases, [SMR - Steel & Metals Market Research estimates](#)

Molybdenum considered as 'strategic Resource' by China

- The molybdenum oxide market remained tighter than the FeMo market in the last months. This tightness is primarily caused by production declines at copper producers in Chile, Peru and other countries.
- China increased export taxes for FeMo to 20% effective January 1st, 2008. China also restricts molybdenum export in the future and prohibits foreign investments in the Chinese molybdenum sector from now on.
- This measurement lead already to an increasing price level in Asia, whilst the prices in Europe remained stable.
- The United States will become an important production area in the future again: Freeport McMoran plans to re-open the 1995 idled Climax mine. Investment cost will amount to 500 million US\$ before the production can start in 2010. General Moly plans to bring its Mount Hope Project into production until 2010. It seems that the company had financing problems for the project, but ArcelorMittal (20%) and Posco (12.6%) both invested for strategic reasons in the project in late 2007. They will be paid back with long term molybdenum deliveries contracts for their support.



Sources: Metal Bulletin, press releases, [SMR - Steel & Metals Market Research estimates](#)

Scrap Situation has normalized in Europe, whilst the demand in Asia collapsed after the Ni Price Drop

- The stainless steel scrap market shows a mixed picture in early 2008: The demand from European stainless steel mills has improved in December / January (compared to the extreme weak situation in the months before). However, it is still below the level in the same period of the previous two years.
- In the last weeks, European stainless steel scrap merchants became more optimistic for 2008 business. It is expected that stainless steel mills also plan to increase their scrap ratios.
- In Asia, the situation is completely different to Europe: due to cutbacks at stainless steel producers, the demand almost collapsed in China, South Korea and other Asian countries. It is questionable whether buyers will revert back the market soon.
- The intrinsic Ni values in scrap have normalised to a certain extent during the last weeks. European discounts are not in double-digit territory anymore. However, scrap is still a very attractive Ni source.

Sources: Metal Bulletin, [SMR - Steel & Metals Market Research](#)

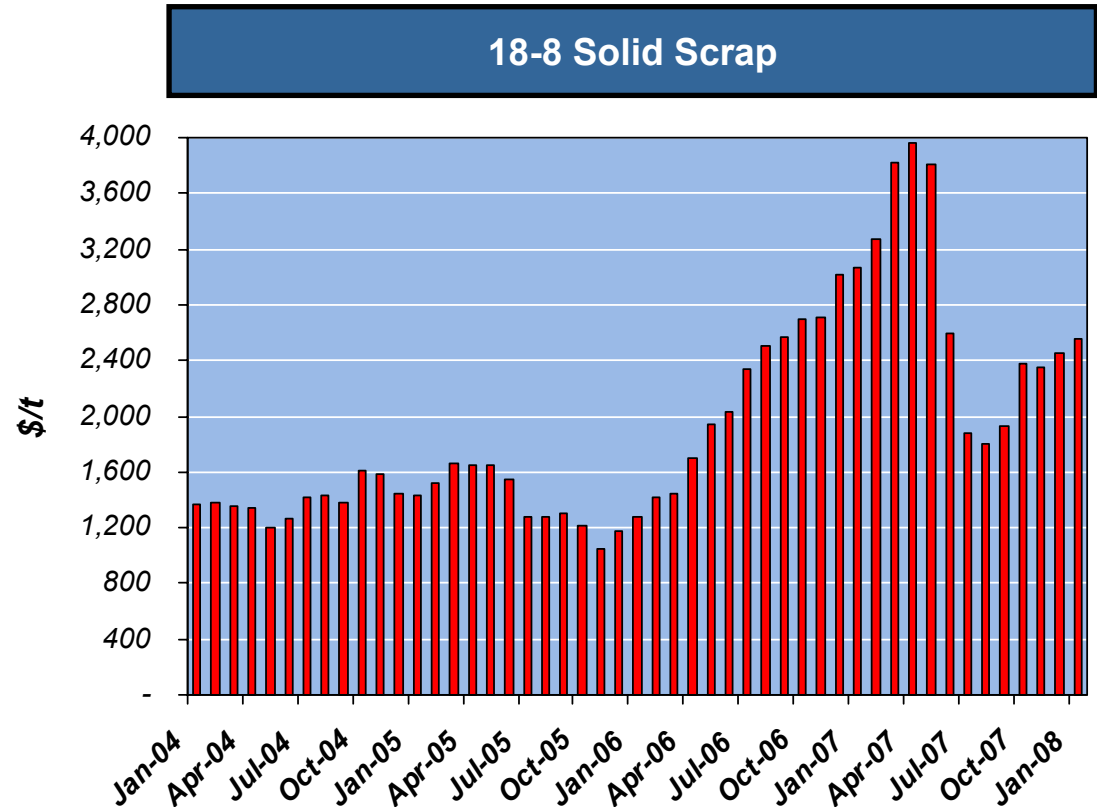


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4.

Focus of the Month: Fortress Europe under Attack

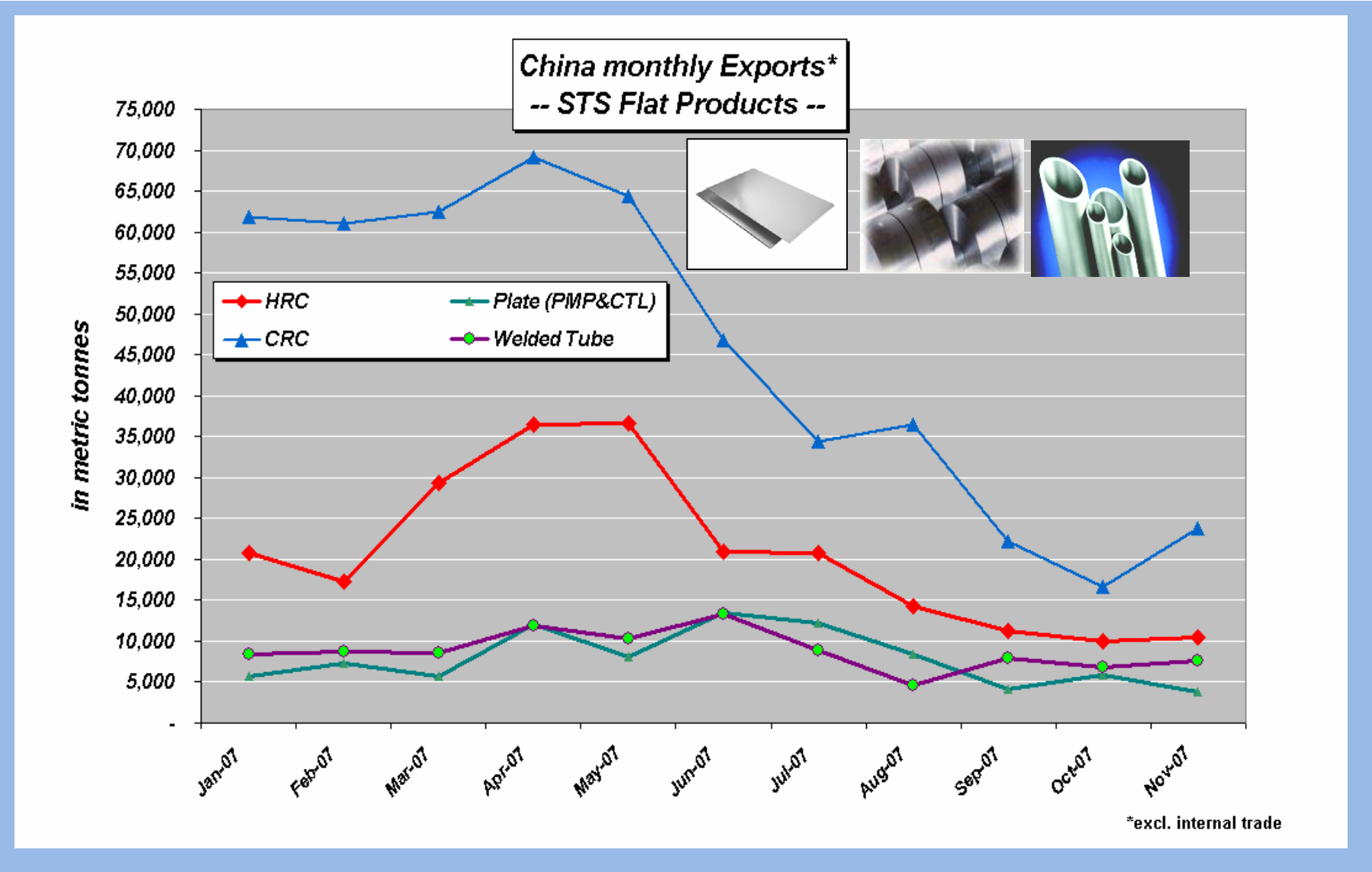
- ▶ China
- ▶ Taiwan
- ▶ South Korea
- ▶ Remarks to Protectionism





Chinese Monthly Stainless Steel Flat Product Exports (World Wide)

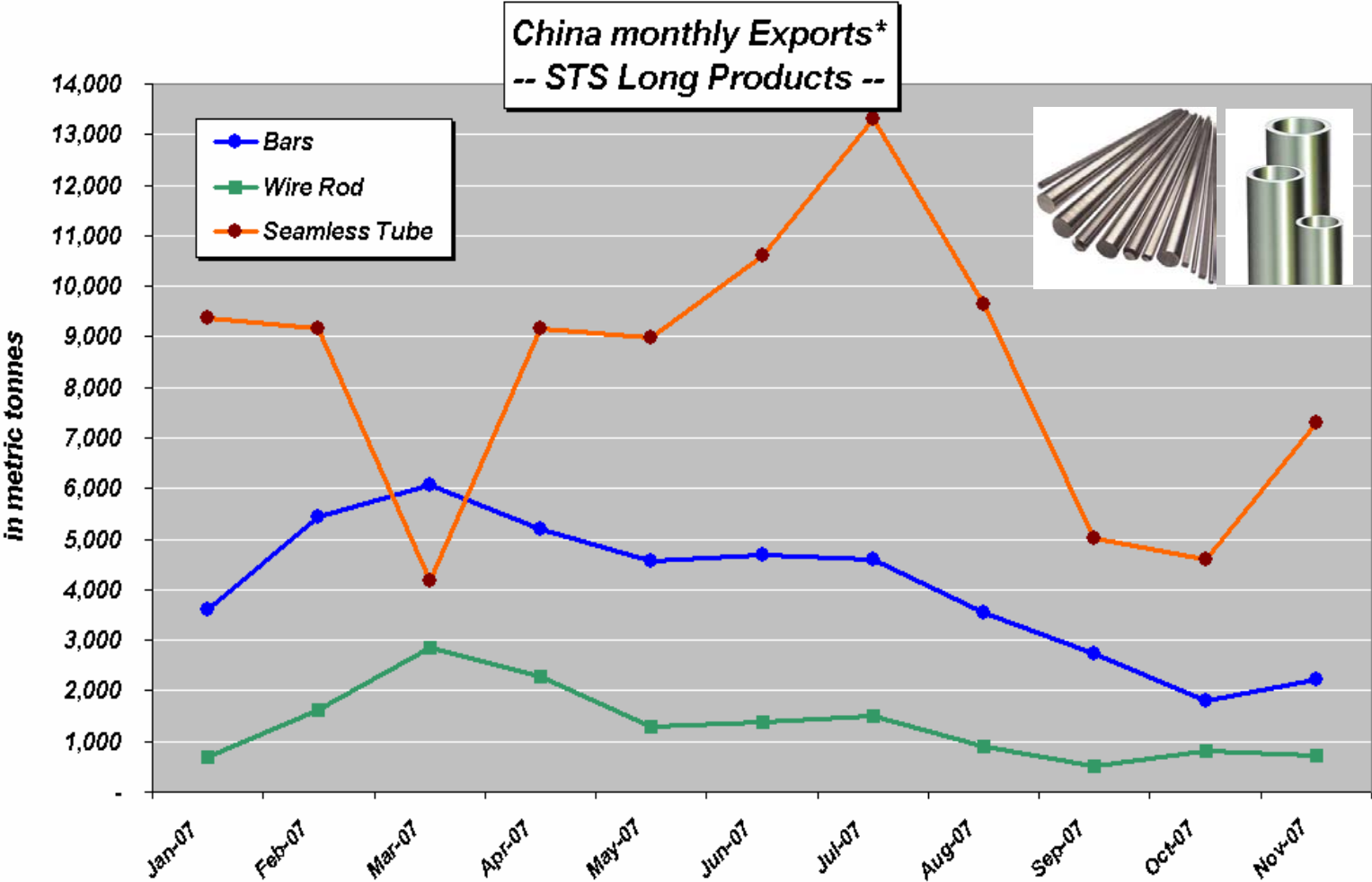
Higher CRC Exports in November – other Products remained on a low Level





Chinese Monthly Stainless Steel Long Product Exports (World Wide)

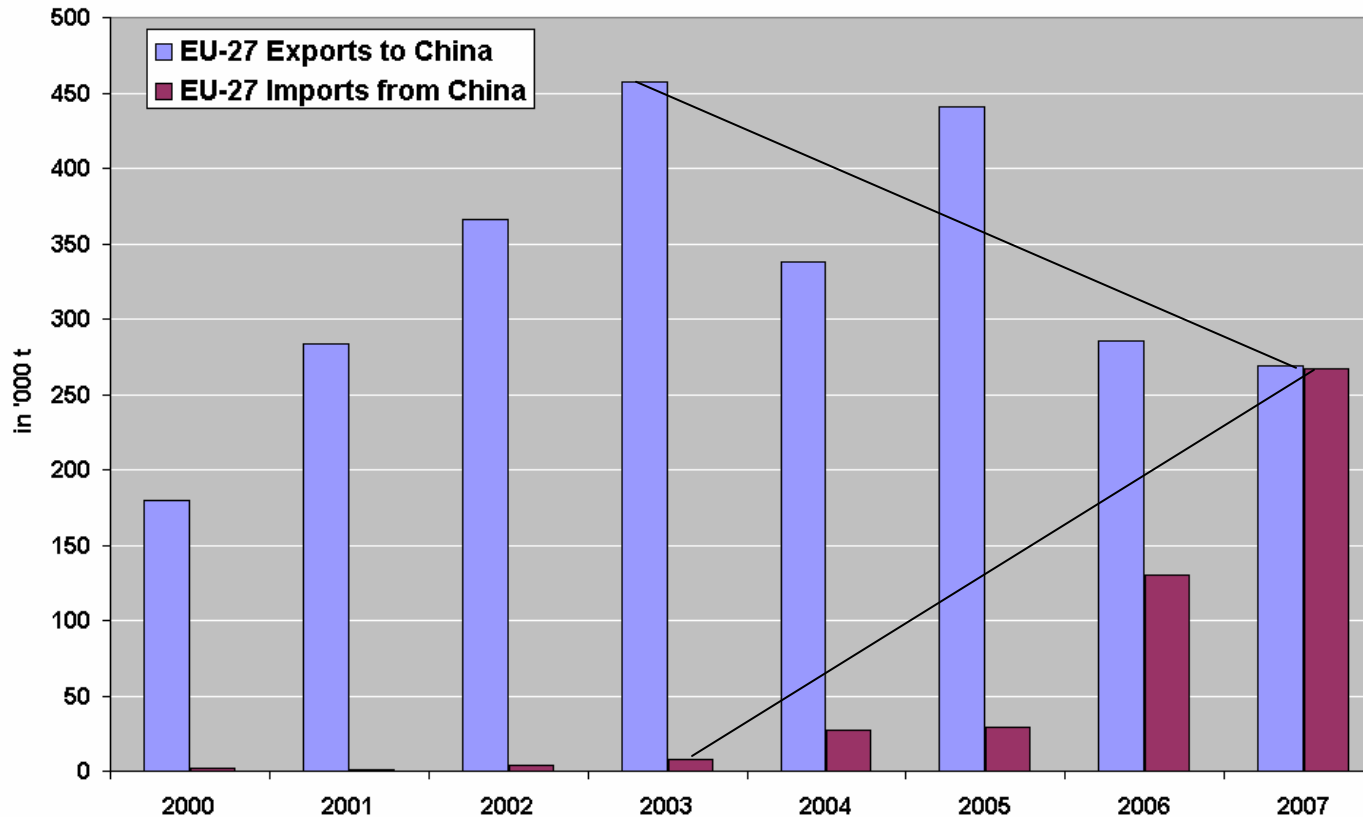
Seamless Tube Exports recovered in November after some weaker Months



*excl. internal trade

Total STS EU-27 Imports and Exports from/to China

Chinese Exports increased by 113% per annum since 2000



Data are excluding SKS-TKN deliveries after the fire in Krefeld.

EU-27 Exports to China of all products increased with the exception of CRC (which fell to 80 kt from around 140 kt in 2001). European Hot Rolled Coil deliveries are primarily traded between Germany, Italy and China, whilst China received also significant volumes from Finland, Belgium and Spain. In form of CRC, China supplied volumes > 10,000 t to Italy, Netherlands and Estonia (for further transport to Russia).

EU-27 Imports and Exports* from/to China



The trade flow is now in balance and will reverse if no trade barriers are built up

EU-27 Exports to China 2000 – 2007e

	2000	2001	2002	2003	2004	2005	2006	2007	Growth Rate
	in '000 t								in % p.a.
Hot Rolled Coils	36	121	203	288	217	316	180	155	17%
Plate Mill Plate	2	8	10	7	12	8	7	6	10%
Cut to Length Plate	3	4	4	9	7	5	6	9	13%
Cold Rolled Coils	130	142	140	141	79	91	72	80	-10%
Wire Rod	2	1	2	3	2	2	3	3	7%
Bars	3	3	3	4	7	10	9	8	20%
Wire	1	1	1	1	1	1	1	1	3%
Seamless Tube	1	1	1	1	4	5	4	5	34%
Welded Tube	2	2	3	4	8	5	3	3	10%
Total	180	284	366	458	338	441	285	269	4%

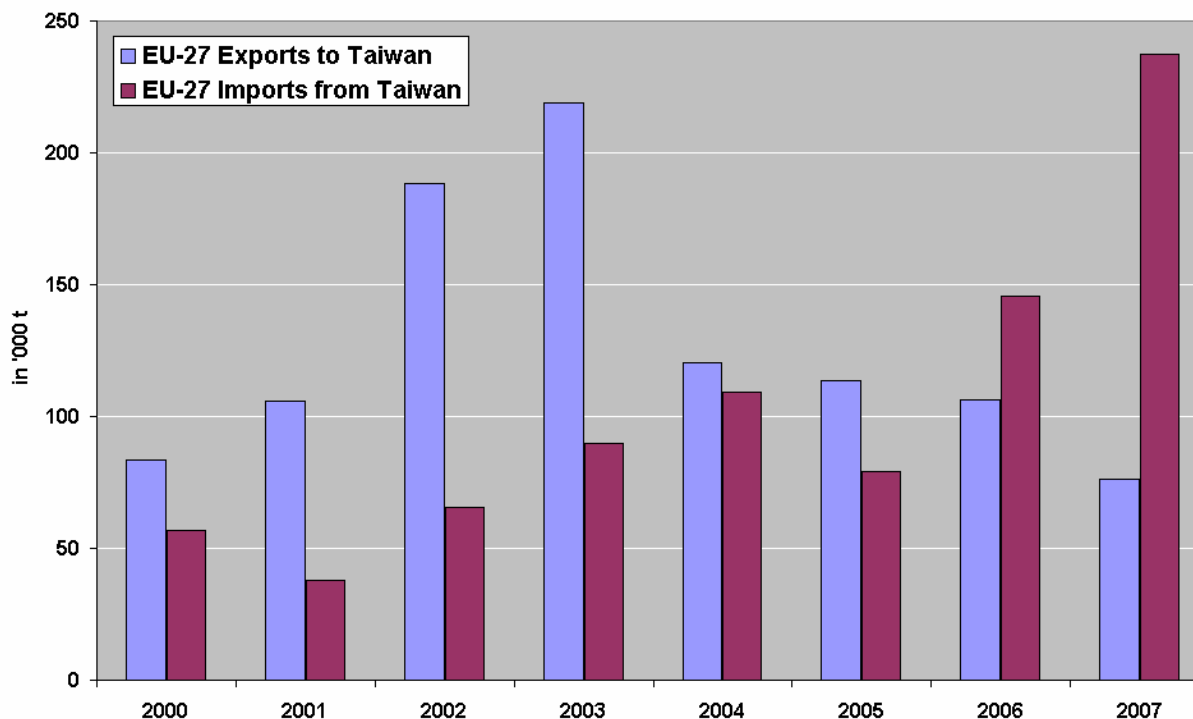
EU-27 Imports from China 2000-2007e

	2000	2001	2002	2003	2004	2005	2006	2007	Growth Rate
	in '000 t								in % p.a.
Hot Rolled Coils	0	0	0	1	2	0	8	52	240%
Plate Mill Plate	-	-	-	-	0	1	10	23	
Cut to Length Plates	0	0	0	0	0	0	2	5	249%
Cold Rolled Coils	1	0	1	1	12	8	83	133	143%
Wire Rod	0	0	0	0	0	0	0	1	45%
Bars	0	0	0	0	1	2	1	5	93%
Wire	1	1	1	2	5	8	8	14	60%
Seamless Tube	0	0	1	1	3	7	12	22	97%
Welded Tube	0	0	1	2	4	3	6	13	179%
Total	2	1	4	7	27	29	130	267	115%

* excluding conversion volumes TKN – SKS

Total STS EU-27 Imports and Exports from/to Taiwan

Taiwanese Exports rose substantially in 2007, whilst Imports further declined

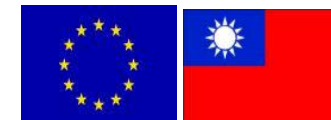


Taiwan is net exporter to EU-27 since 2006. Prior to 2006, EU-27 delivered particularly hot rolled coils for re-rolling in large amounts to Taiwan.

Taiwanese data give somewhat higher export quantities for 2006 (+30 kt) and a lower volume for 2007e (- 30kt). Major destinations for Taiwanese 2007 (e) exports were Italy (83 kt), Belgium (28 kt), the Netherlands (24 kt), Denmark (15 kt) and Spain (10 kt). It is expected that Belgium and the Netherlands are only transit countries for Taiwanese stainless steel suppliers.

EU-27 Imports and Exports from/to Taiwan

EU-27 exported almost 220 kt in 2003 – exports fell below 80 kt in 2007



EU-27 Exports to Taiwan 2000 – 2007e

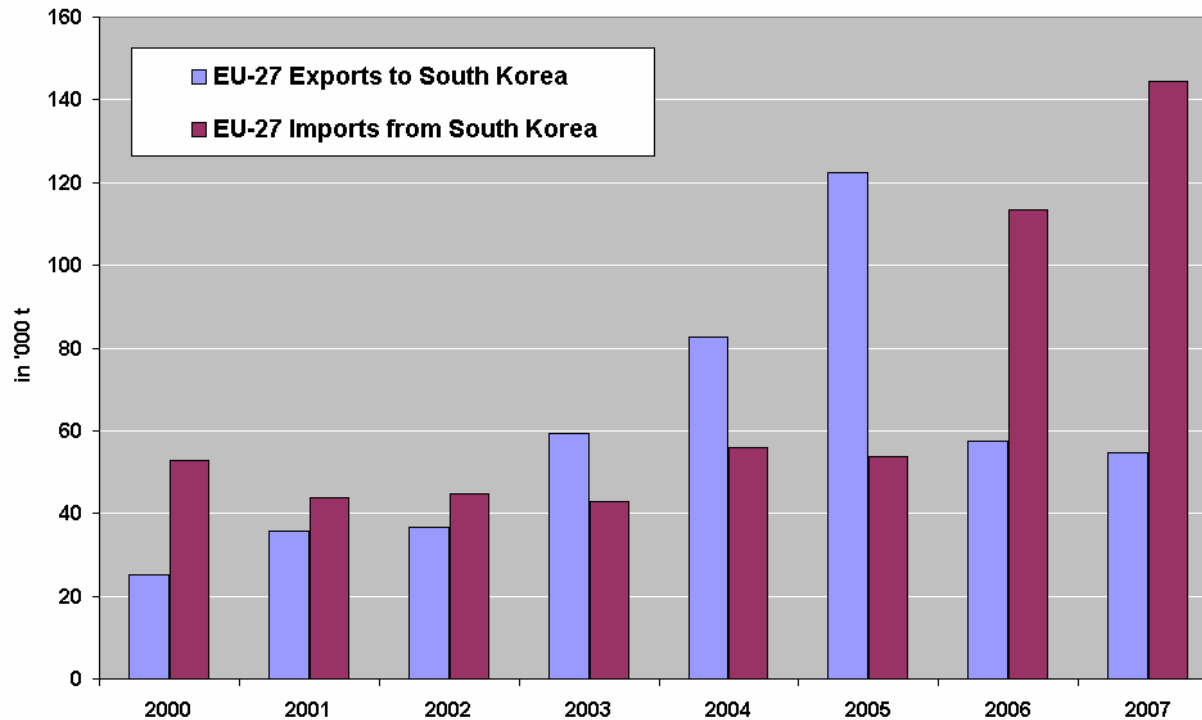
	2000	2001	2002	2003	2004	2005	2006	2007	Growth Rate
	in '000 t								in % p.a.
Hot Rolled Coils	66	88	166	201	97	85	90	54	-5%
Plate Mill Plate	1	3	6	2	4	5	1	0	-15%
Cut to Length Plate	0	4	4	2	4	3	0	0	-16%
Cold Rolled Coils	9	8	8	10	12	16	10	20	11%
Wire Rod	3	1	2	2	1	1	1	1	-17%
Bars	1	1	1	1	1	3	2	1	12%
Wire	0	0	0	0	0	0	0	0	3%
Seamless Tube	2	1	1	0	1	1	1	0	-13%
Welded Tube	0	0	1	1	0	0	0	0	-4%
Total	83	106	188	219	121	114	106	76	-3%

EU-27 Imports from Taiwan 2000-2007e

	2000	2001	2002	2003	2004	2005	2006	2007	Growth Rate
	in '000 t								in % p.a.
Hot Rolled Coils	19	1	7	7	9	2	10	22	11%
Plate Mill Plate	-	-	-	0	0	0	1	1	
Cut to Length Plate	0	0	0	0	0	0	2	7	98%
Cold Rolled Coils	23	21	43	61	73	49	97	161	30%
Wire Rod	8	7	6	8	12	13	14	20	17%
Bars	1	2	2	4	4	3	4	3	16%
Wire	2	5	4	4	3	3	3	3	-3%
Seamless Tube	1	0	1	2	2	3	4	3	39%
Welded Tube	2	2	2	3	6	6	10	16	35%
Total	57	38	65	90	109	79	146	237	23%

Total STS EU-27 Imports and Exports from/to South Korea

EU-27 was a Net Exporter in 2003-2005 due to Coil for Re-Rolling Exports



Data are based on European Ex- and Imports. 2007 is estimated on basis of a 12 months calculation for y-t-d deliveries. HRC and CRC was revised due to certain data deviations between South Korean and European statistics.

EU exports to South Korea reached 120 kt in 2005 due to more ~45 kt for re-rolling from Finland. In the other years except 2000 and 2004, EU exports always remained in a range between 35 and 60 kt.

EU-27 countries imported around 145 kt in 2007e after 113 kt in 2006. Around 80 kt of this volume was supplied to Italian distributors and service centres (i.e. Cold rolled flat products). Other major destinations were Belgium (re-export to other countries expected), Germany and Spain.

EU-27 Imports and Exports from/to South Korea

EU-27 supply dropped to 60 kt in 2007e, whilst exports are close to 150 kt



EU-27 Exports to South Korea 2000 – 2007e

	2000	2001	2002	2003	2004	2005	2006	2007	Growth Rate
	in '000 t								in % p.a.
Hot Rolled Coils	5	15	9	25	50	87	28	30	32%
Plate Mill Plate	6	6	5	6	10	8	10	7	7%
Cut to Length Plate	2	1	2	3	3	2	1	3	-1%
Cold Rolled Coils	3	5	6	13	10	16	8	5	10%
Wire Rod	3	3	7	5	3	2	1	2	-13%
Bars	3	2	5	4	4	3	4	3	4%
Wire	0	0	0	0	0	0	0	0	7%
Seamless Tube	3	2	2	2	2	2	4	4	7%
Welded Tube	1	1	1	1	2	2	1	2	12%
Total	25	36	37	59	83	122	57	55	15%

EU-27 Import from South Korea 2000-2007e

	2000	2001	2002	2003	2004	2005	2006	2007	Growth Rate
	in '000 t								in % p.a.
Hot Rolled Coils	22	18	5	1	4	8	11	30	3%
Plate Mill Plate	3	2	5	4	3	5	8	4	10%
Cut to Length Plate	0	0	0	0	0	0	1	0	36%
Cold Rolled Coils	10	8	20	21	30	24	74	81	37%
Wire Rod	5	4	3	4	7	6	9	18	20%
Bars	3	2	2	2	1	1	1	0	-21%
Wire	9	7	8	7	7	7	7	9	0%
Seamless Tube	2	2	3	2	3	2	2	2	2%
Welded Tube	0	0	0	0	0	0	0	0	36%
Total	53	44	45	43	56	54	113	145	16%



Some Remarks to Protectionism

Role of Chinese, Taiwanese and South Korean Exports to EU-27:

	2003	2004	2005	2006	2007e
EU-27 STS Flat and Long Product Demand (in mill. t)	5.6	5.8	5.7	6.2	5.9
EU-27 Import Penetration China, South Korea, Taiwan (in %)	2%	3%	3%	7%	11%

- Between 2000 and 2007e, EU-27 was still a net exporter by the factor 2 (accumulated net export to China, Taiwan and South Korea of 2.3 million t)
- EU-27 exported for instance 460,000 t to China in 2003 - whilst the disputed Chinese exports to EU-27 in 2007 reached only half of this volume.
- EU customers need alternatives to European material to avoid dominance of mill dependent distribution networks
- Special Factors in 2006/07 contributed to increasing imports from Asian Countries: strong demand in Europe with market price gaps of partially over 500 €/t to Asian prices, start-up at Carinox (supply problems at U&A) and the fire in Krefeld (supply delays at TKN). These special factors will not be repeated in the future.
- Anti-Dumping duties will lead to decreasing competitiveness of European end users
- Change in alloy surcharge calculation results in an additional barrier against Asian imports, which are not so attractive anymore for European distributors (higher risks)
- An import penetration of 11% (Chinese, Taiwanese and Korean deliveries to EU-27) is not remarkable high. In the US market the import penetration reached already levels of 30%. A penetration of 20% is considered as healthy for a market.

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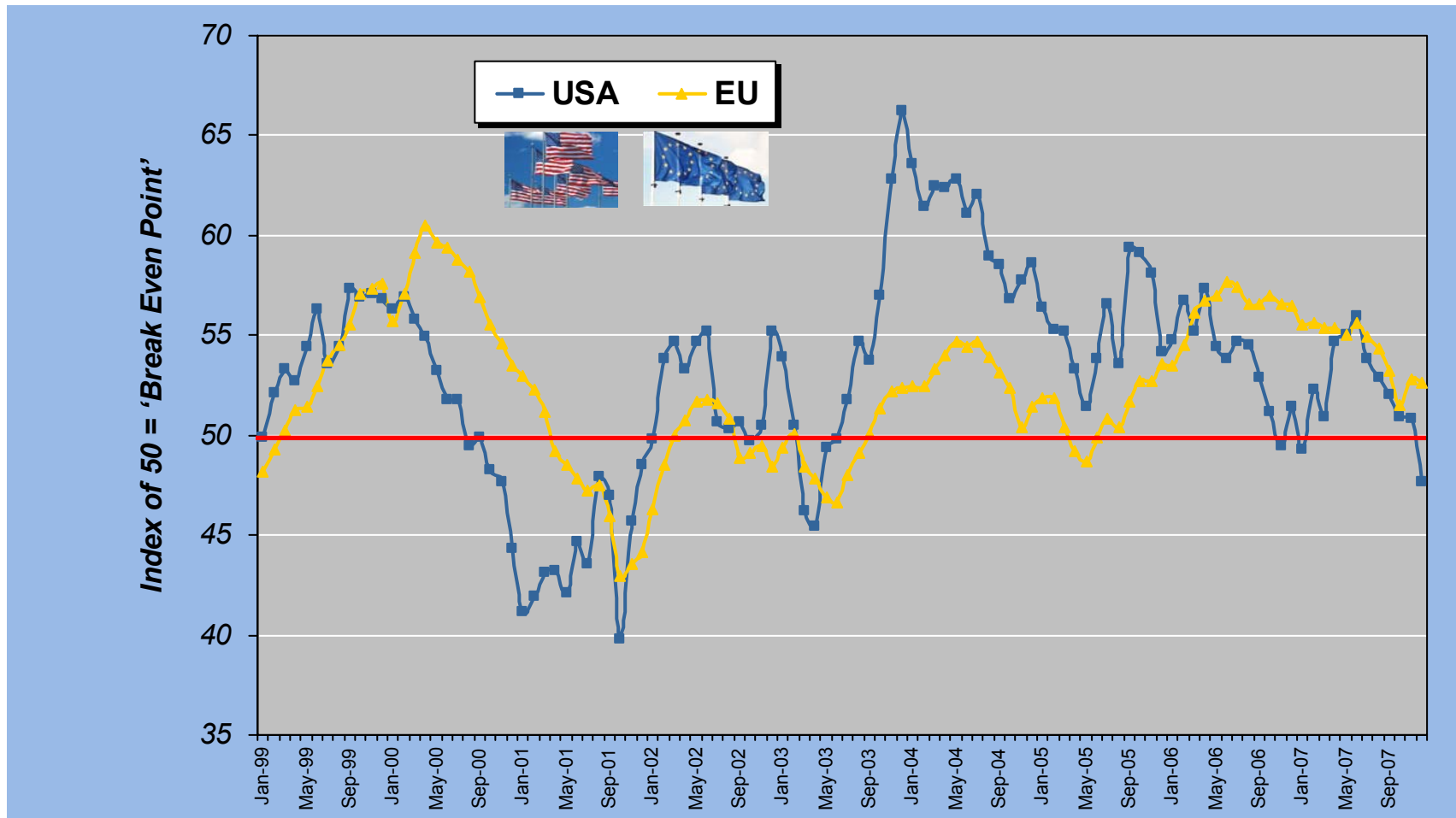
5.

What lies ahead...

- ▶ Purchasing Manager Index
- ▶ Exchange Rates
- ▶ Macro Economic Forecast

US Index fell below the 'Break Even Point' for the first Time since September 2001 – EU has slightly recovered

Manufacturing Purchasing Manager Index (January 1999 – December 2007)



* below 50 the industry contracts / above 50 it is expected to expand



Currency Exchange Rates (historic & forecast)

per €	Historical				Forecast				
	Oct-07	Nov-07	Dec-07	change	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09
SEK	9.17	9.28	9.43	1.7%	↑ 9.17	↑ 9.14	↑ 9.17	↑ 9.17	9.22
NOK	7.69	7.92	8.02	1.2%	↑ 7.84	↑ 7.84	↑ 7.81	↑ 7.82	7.86
DKK *	7.45	7.45	7.46	0.1%	7.46	7.46	7.46	7.46	7.46
GBP	0.70	0.71	0.72	1.4%	↑ 0.72	↑ 0.73	↑ 0.73	↑ 0.72	0.72
USD	1.42	1.47	1.46	-1.0%	↑ 1.47	↑ 1.45	↑ 1.42	↑ 1.40	1.42
Yen	165	163	164	0.4%	161	↓ 158	155	↓ 151	149

*Fixed to € = 7.46 DKK – but fluctuating 2.25% against central rate

↑↓ changes compared with last issue

Fundamentals:

- In the Eurozone, the European Central Bank (ECB) will most likely continue to maintain the cautious interest rate policy – the bank opted to keep the key interest rates at 4.0% in its last meeting. There are certain inflation risks. The ECB warned against too high salary increases in the months ahead which could lead to further inflation tendencies. The central banks in the Nordic countries follow the ECB policy.
- United States: the latest economic data have been even weaker than expected. The unsolved housing crisis problems will continue in 2008. New housing starts fell in November to the lowest level since 1991. The inflation in the USA has been higher than expected before – primarily influenced by high and increasing energy costs and costs for imported products.

Sources: OANDA, Commerzbank, Danske Bank, BMO Nesbitt Burns, Scotia Capital, Dresdner Bank, Nordea Bank

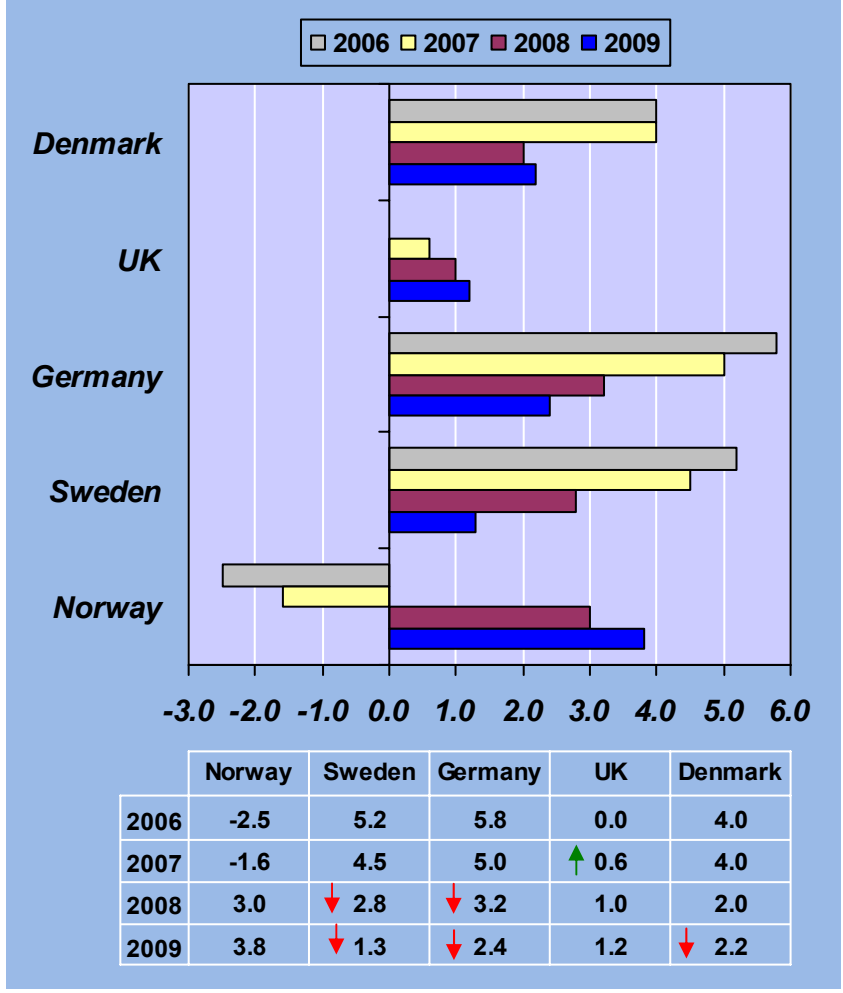
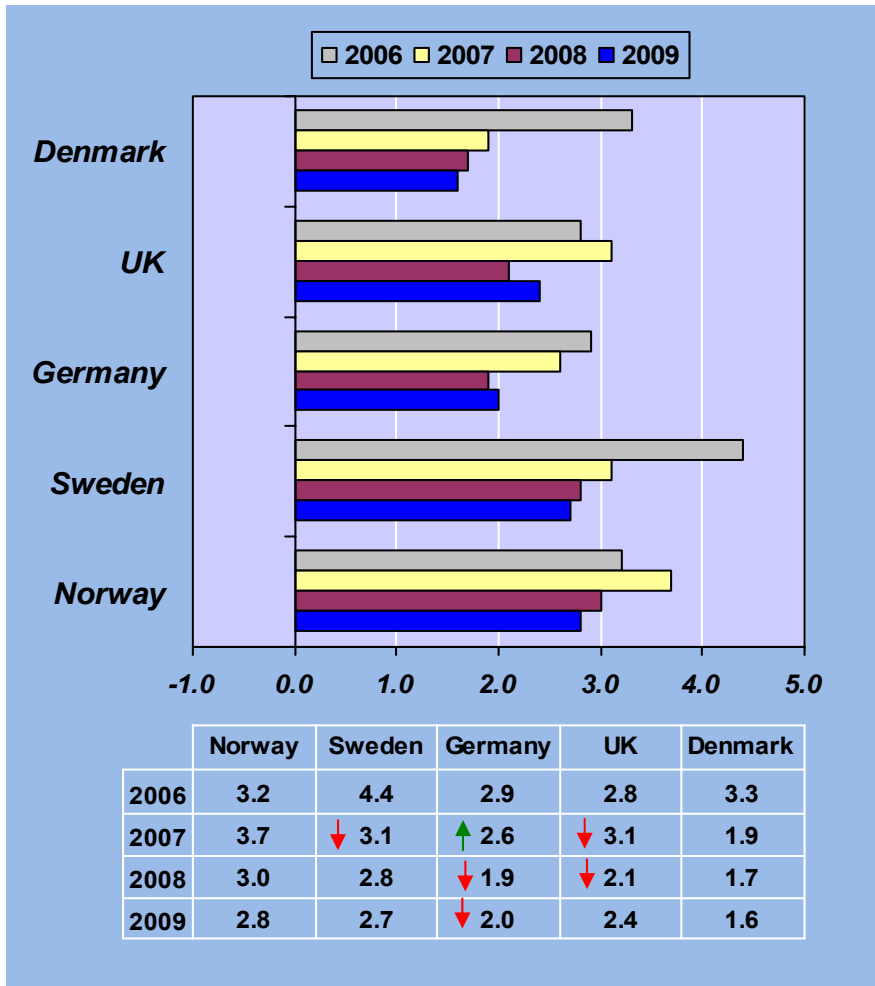


Macro Economic Forecasts – 2008 GDP's will be below 2007

Banks and Institutes revised Forecasts again to lower Growth Expectations

Real GDP Growth (% , Y-o-Y)

Industrial Production Growth (% , Y-o-Y)



Sources: Nordea Bank, Commerzbank, EIU, EU, IMF, BNP Paribas, Danske Bank, OECD, National Statistical Offices,