Stainless Steel in Damstahl® Land

Report on Market Highlights Issue 3, February 2010

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FOCUS OF THE MONTH: Nickel Forecast to 2015

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Stainless Steel at a Glance

Stainless Recovery possible in 2010 - but still a lot of Question Marks!

- **Stainless Steel Demand 2009** was driven by China. The real demand in China grew by over 15% last year, whilst the European demand dropped by over 25% in the same period. European mills benefited from the Chinese market through increasing exports to China. But China was also responsible for relatively high raw material costs in 2009. China also strengthened its position as global workbench and finished product exporter – this is also not good news for the European stainless community.
- **Demand 2010** will grow in all regions, but the expected European demand growth will remain far below the 2009 decline. The currently improved demand is primarily driven by higher stockholder activity (re-stocking) – orders from end users are still only moderately increasing at the moment.
- **European End Use 2010** will grow by 5%. Automotive and building / construction have benefited most from stimulus packages last year – growth is rather limited without support this year. Consumer goods: increasing unemployment will have a dampening effect on consumer sentiment, whilst the process industry will remain in a critical shape in 2010 – a moderate improvement is however expected for HY2, 2010. Earlier postponed investments will be re-started in 2010 – examples are investments in the oil/gas industry and food processing.
- European **order Intake** from distributors and end users has improved significantly in January 2010. Reasons are particularly empty stocks at stockholders after months with little market activity. Some distributors and end users expect increasing raw material prices and ordered at current still relatively low price levels.
- **Stock levels:** after a temporary re-stocking in Q3, companies tried to reduce stocks again at year end. Stock level reach has increased from ~60 to ~65 days for cold rolled flat in Germany.
- 2010 will remain a challenging year for **European mills**. The profit situation will remain unsatisfactory, competition with Chinese mills will increase and the European market itself will grow again below world average. Thus, mill consolidation will remain on the agenda in Europe.

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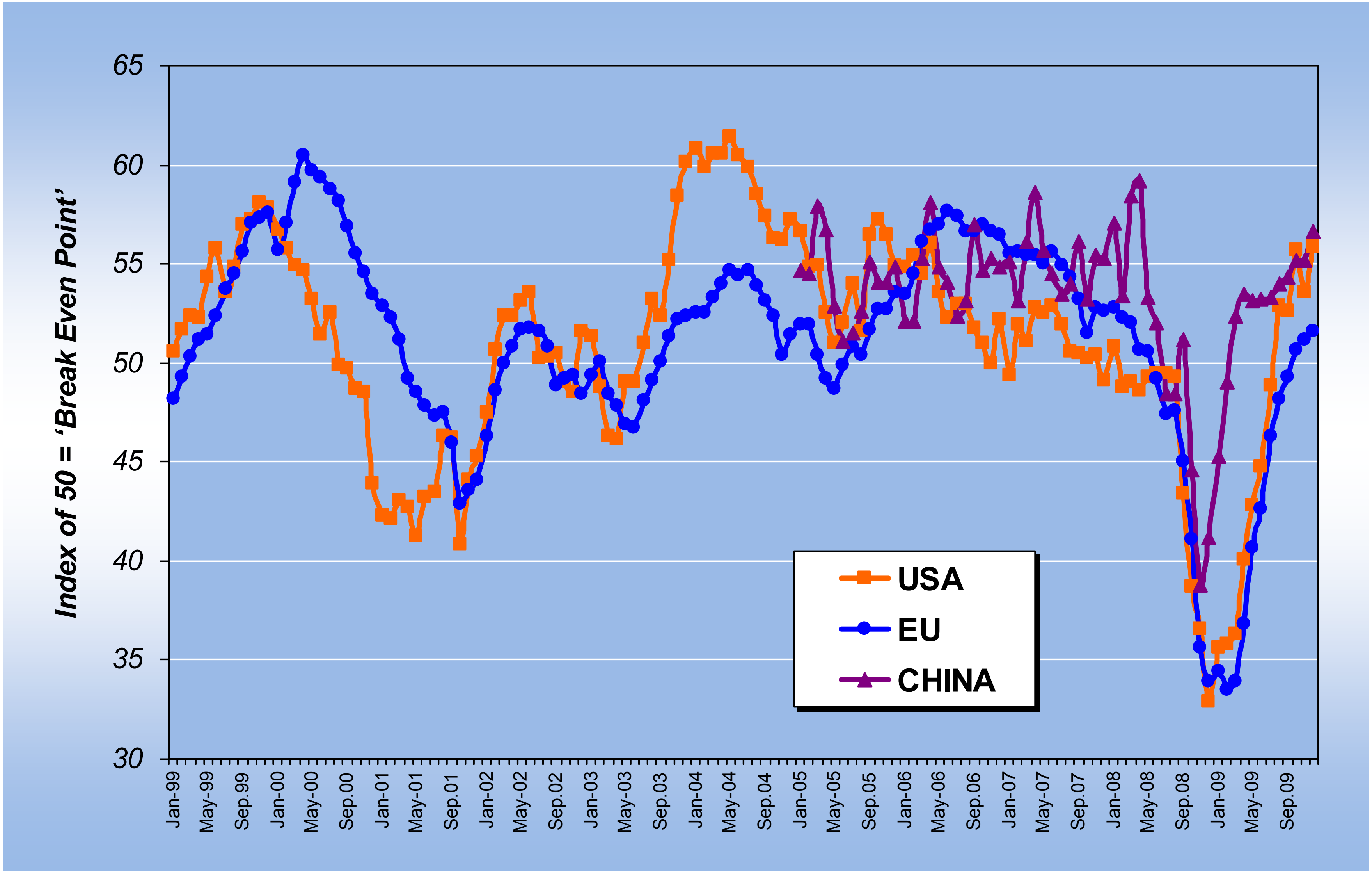
European Industry News

Increasing Order Intake for Commodities in Q1 – most Specialties remain weak

- Production in Damstahl-Countries (January to November 2009) dropped to 1.9 million t (from 2.5 million t in the first eleven months 2008). Stainless steel melting production in Damstahl countries fell by minus 20% in 2009. Germany (-15%) remained more stable than Sweden and the United Kingdom. The decline in Total EU-27 was around minus 25% - strongest decreases occurred in Belgium, France and Spain (production in all three countries dropped by more than minus 30% in 2009)
- European stainless steel flat product mills are working on capacity utilisation levels ~60% of long term average in January. Due to an improved order intake in January, mills expect however further increasing capacity utilisation levels for Q1/2010. In contrast to flat product commodities, the market for specialties (seamless tubes, bars) is still without strong stimuli.
- Acerinox announced to reach a capacity level of 70% in February after a utilization of only 50% in January. The company will reduce temporary lay-offs which have exceeded into 2010. Acerinox considers other options to gain market share as well: the company intends to become a strong player in the Duplex market. Until now, Acerinox preferred sales of commodity grades to Duplex – which also have a higher yield loss and are more difficult to produce.
- Seamless: tube makers still expect no significant improvement in order intake. Tubacex recently announced to prolong temporary lay-offs until end of June 2010, effective for 900 workers. The seamless tubes/pipes market will see first signs of a recovery not before HY2/2010.
- Prices: Base prices showed a slight downwards tendency in Q4/09, whilst European alloy surcharge fell continuously since August to a level around 950€/t for 304 flat products (January). In February, alloy surcharges increased substantially.
- Economic indicators (see page 5) improved again in January. However, the situation in Europe is still weaker than in other regions. The recovery of the PMI-climate is still faster than any improvement of the 'real' economic situation. In the case of stainless steel, it is too early now to speak about a recovery!

PMI – Manufacturing Business Climate (December 2009)
Europe' PMI improved – but still lagging behind China and U.S.



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Relevant Issues in Damstahl® -Land

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- **GERMANY**: GDP declined by 5.0% in ‘09 (Q4/09 ran out of steam against expectations).
- A GDP growth around < 2% is expected for 2010, a 2% growth for 2011is expected by economic institutes. The current industry capacity utilisation is currently still 10% below long term average. It is expected that it will not improve substantially in 2010.
- Stainless mill orders have slowed down again in Q4 after a temporary upswing in Q3. Orders will increase again in Q1/10. Order situation at distributors has substantially improved in January. Cold rolled stock reach increased again to ~65 days at year end - after a drop below 60 days in Q3/09.
- End Uses: Recovery at export oriented premium car producers in 2010 (~+8%) will have a positive impact on stainless use, whilst building/construction will remain stagnant in 2010. The German building and construction expects a substantial decline for 2011 (expiring of governmental support).
- ThyssenKrupp: bank analysts seem to have strong confidence in TK’s restructure process and consider TK as potential stock exchange star performer in 2010. However, German newspapers reported recently about enormous extra costs (at least 2 bn €) on top of initially announced costs for the two new plants in Brazil and Alabama.

- **UNITED KINGDOM**: GDP declined by 4.8% in 2009 (only slightly better than Germany)
- 2010: UK got out of recession phase in Q4 but there is only a slow and grinding recovery expected – manufacturing will improve slowly in 2010, whilst oil/gas will support the modest recovery
- Overall UK production output in November 2009 was 6.0% below November ’08. Poorest segment: Output in investment goods fell by even 17% - whilst transport equipment grew by 3%.

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Relevant Issues in Damstahl® -Land

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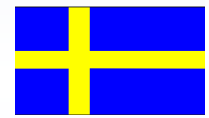
- **DENMARK:** GDP 2009: minus 4.5%, GDP 2010: ~+1.5% - Industrial production rose 1.4% (month-on-month) in November, However, production is still substantially below Q3 level. Danish industry output dropped from 85 index points in August 2009 to 82 Index points in November. Production remained stagnant on a level around 80% of the average 2005 (production).
- Stainless: order intake had improved in January compared to previous months. There are signs that many projects which had been stopped in 2009 will be continued in HY1 2010.
- Arla Foods announced to invest around 250 million € for additional food production equipment (especially for dairy production) in 2010, after the company has stopped some of the planned investments in 2009. **DAMSTAHL** successfully introduced **'SUPERDAIRY'** hygienic tubes to the food processing market (non-annealed 316), which have been developed in co-operation with Arla Foods.



- **SWEDEN:** uncertainty prevails - increased stainless activity amongst endusers in early '10
- Increasing truck demand (Volvo, Scania) due to recovery in this sector. Situation at Saab remains critical – Dutch Spyker Cars finally acquired SAAB Automobile.
- Risk of bubble in the housing sector. Low rates have lead to fast climbing house prices despite an increasing unemployment. The central bank has already announced to adjust interest rates.
- Outokumpu will close its stainless welded tube and fittings production site in Veteli (Finland) in March 2010. It is planned to move two production lines to Jakobstad and close the third one.

- **NORWAY**: moderate growth is expected to continue in 2010.
- Increased market activity - stainless sales are considered as satisfactory for the current economic situation but far from earlier record levels. Demand from oil/gas industry is weak, but the currently increasing oil price (> 80 US$ per bbl) could support a possible demand recovery in HY1/10.
- Housing: surprising picking up of private and commercial house building activity

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Germany - Imports by Product

Imports (except Welded Tubes) still > 20% below 2008

Imports of Stainless Steel Materials into Germany (in tonnes)

Products	2008		2009									
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
HR Sheet & Plate	15,895	8,098	11,296	10,437	12,245	11,753	13,263	12,327	12,710	8,696	11,677	12,348
CR Sheet	32,544	19,314	28,617	28,927	34,455	30,953	30,906	33,362	33,713	28,708	37,388	35,555
Round Bars	14,497	14,545	16,757	12,126	10,929	10,377	11,649	10,753	14,990	6,927	14,546	15,898
Profiles	827	658	1,032	547	503	650	474	552	714	495	1,176	864
Seamless Tubes	2,916	3,088	4,094	2,893	2,896	2,222	1,941	2,407	2,061	1,465	1,711	1,770
Welded Tubes (Rounds)	6,924	5,835	6,074	8,615	6,081	6,122	7,092	6,952	7,245	7,608	9,107	7,689
Welded Tubes (Square)	1,340	1,335	3,562	2,368	1,243	7,210	2,401	2,890	6,096	3,480	4,363	2,860
All Products	**74,943**	**52,873**	**71,432**	**65,913**	**68,352**	**69,287**	**67,726**	**69,243**	**77,529**	**57,379**	**79,968**	**76,984**

Products	2008 full year	2008 ytd	2009 ytd	change ytd
HR Sheet & Plate	203,184	179,191	116,752	-35%
CR Sheet	470,404	418,546	322,584	-23%
Round Bars	220,367	191,325	124,952	-35%
Profiles	11,257	9,772	7,007	-28%
Seamless Tubes	36,793	30,789	23,460	-24%
Welded Tubes (Rounds)	96,784	84,025	72,585	-14%
Welded Tubes (Square)	30,030	27,355	36,473	33%
All Products	**1,068,819**	**941,003**	**703,813**	**-25%**

Sources: ISSB, SMR - Steel & Metals Market Research Analysis

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Germany - Imports by Country
January to October 2009 (vs. same Period 2008)

Imports of Stainless Steel Materials* into Germany

Country of Origin	2009 Q1	2009 Q2	2009 July	2009 Aug	2009 Sept	2009 Q3	2009 Oct	2009 ytd	2008 ytd	Change to 2008
	in tonnes									in %
Italy	38,132	41,704	19,067	13,540	19,341	51,948	14,470	**146,254**	**174,694**	**-16%**
France	36,790	38,430	16,468	8,371	16,515	41,354	17,191	**133,765**	**187,831**	**-29%**
Spain	26,444	28,647	11,521	6,835	12,744	31,100	12,061	**98,252**	**129,878**	**-24%**
Bellux	28,614	33,222	9,224	6,371	6,084	21,679	8,595	**92,110**	**91,765**	**0%**
Finland	21,898	18,172	6,501	6,126	7,491	20,118	4,745	**64,933**	**101,818**	**-36%**
Sweden	12,304	9,551	3,066	2,452	3,657	9,175	2,841	**33,871**	**78,477**	**-57%**
Czech Republic	6,478	8,817	2,482	3,362	3,137	8,981	2,646	**26,922**	**24,807**	**9%**
Netherlands	6,522	7,095	2,130	2,867	2,217	7,214	2,710	**23,541**	**28,336**	**-17%**
India	5,643	3,291	861	1,034	1,478	3,373	2,653	**14,960**	**24,503**	**-39%**
Austria	5,548	4,535	1,186	832	1,289	3,307	1,059	**14,449**	**20,204**	**-28%**
Slovenia	3,174	3,088	1,073	1,313	1,384	3,770	1,093	**11,125**	**14,359**	**-23%**
Japan	2,854	1,629	772	530	250	1,552	381	**6,416**	**6,318**	**2%**
Taiwan	2,222	626	331	292	1,184	1,807	772	**5,427**	**5,158**	**5%**
USA	1,358	758	528	751	787	2,066	965	**5,147**	**9,706**	**-47%**
Ukraine	1,757	1,051	369	319	485	1,173	1,084	**5,065**	**9,405**	**-46%**
Switzerland	1,411	1,263	664	406	585	1,655	638	**4,967**	**8,167**	**-39%**
China	1,365	693	145	292	515	952	1,486	**4,496**	**6,700**	**-33%**
United Kingdom	803	1,355	306	565	209	1,080	482	**3,720**	**4,066**	**-9%**
Poland	678	944	311	667	296	1,274	435	**3,331**	**2,707**	**23%**
South Korea	608	738	171	123	36	330	35	**1,711**	**1,697**	**1%**
Others	1,094	647	353	331	284	968	642	**3,351**	**9,578**	**-65%**
GRAND TOTAL	**205,697**	**206,256**	**77,529**	**57,379**	**79,968**	**215,844**	**76,984**	**703,813**	**941,003**	**-25%**

* HR Sheet/Plate, CR Sheet, Round Bars, Profiles, Welded and Seamless Tubes

Sources: ISSB, SMR - Steel & Metals Market Research Analysis

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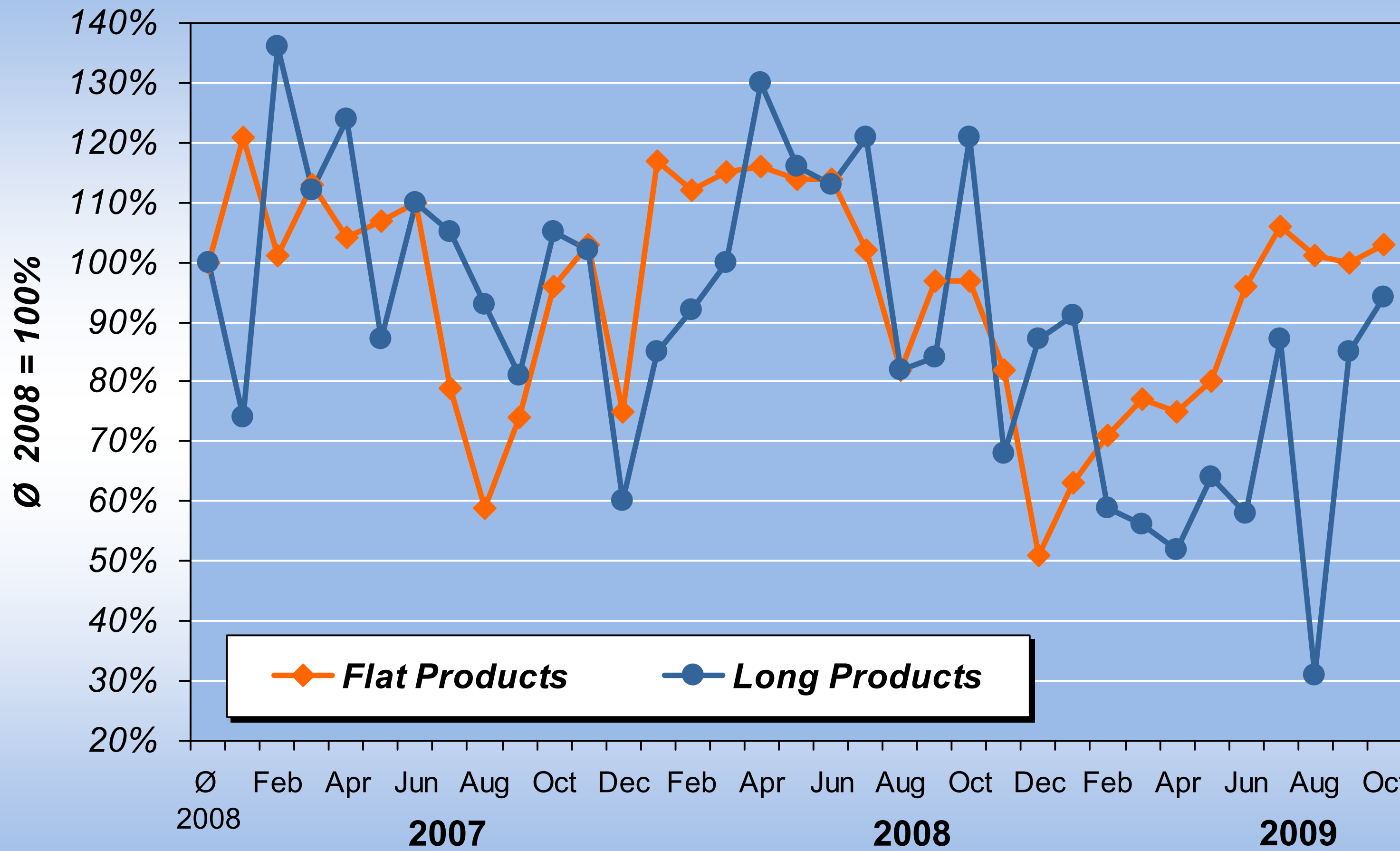
Germany - Stainless Steel Market Volume Index

Stable Demand for Flat Products – Long Products have bottomed out



Source: SMR - Steel & Metals Market Research Analysis

United Kingdom - Imports by Product

UK still minus 33% (ytd) - but October was the best Month in 2009 yet

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

Products	2008		2009									
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
HR Sheet & Plate	5,855	3,293	2,679	2,589	3,704	4,120	3,796	4,160	4,943	3,901	5,361	5,063
CR Sheet	7,804	5,499	9,126	5,621	5,946	7,661	7,500	6,796	12,219	8,047	12,294	13,227
Round Bars	4,334	2,905	3,951	3,960	4,070	2,772	3,284	3,222	2,924	1,886	2,358	3,849
Profiles	280	138	222	140	403	161	281	239	263	160	332	465
Seamless Tubes	788	577	709	877	528	632	493	507	493	416	372	390
Welded Tubes (Rounds)	1,720	1,242	1,368	1,890	1,826	1,396	2,051	2,298	1,811	1,883	1,934	2,194
Welded Tubes (Square)	299	149	262	451	1,078	329	396	1,150	588	426	698	368
All Products	**21,080**	**13,803**	**18,317**	**15,528**	**17,555**	**17,071**	**17,801**	**18,372**	**23,241**	**16,719**	**23,349**	**25,556**

Products	2008 full year	2008 ytd	2009 ytd	change ytd
HR Sheet & Plate	69,011	59,863	40,316	-33%
CR Sheet	156,252	142,949	88,437	-38%
Round Bars	52,785	45,546	32,276	-29%
Profiles	4,613	4,195	2,666	-36%
Seamless Tubes	9,932	8,567	5,417	-37%
Welded Tubes (Rounds)	24,268	21,306	18,651	-12%
Welded Tubes (Square)	6,398	5,950	5,746	-3%
All Products	**323,259**	**288,376**	**193,509**	**-33%**

Sources: ISSB, SMR - Steel & Metals Market Research Analysis

United Kingdom - Imports by Country
January to October 2009 (vs. same Period 2008)

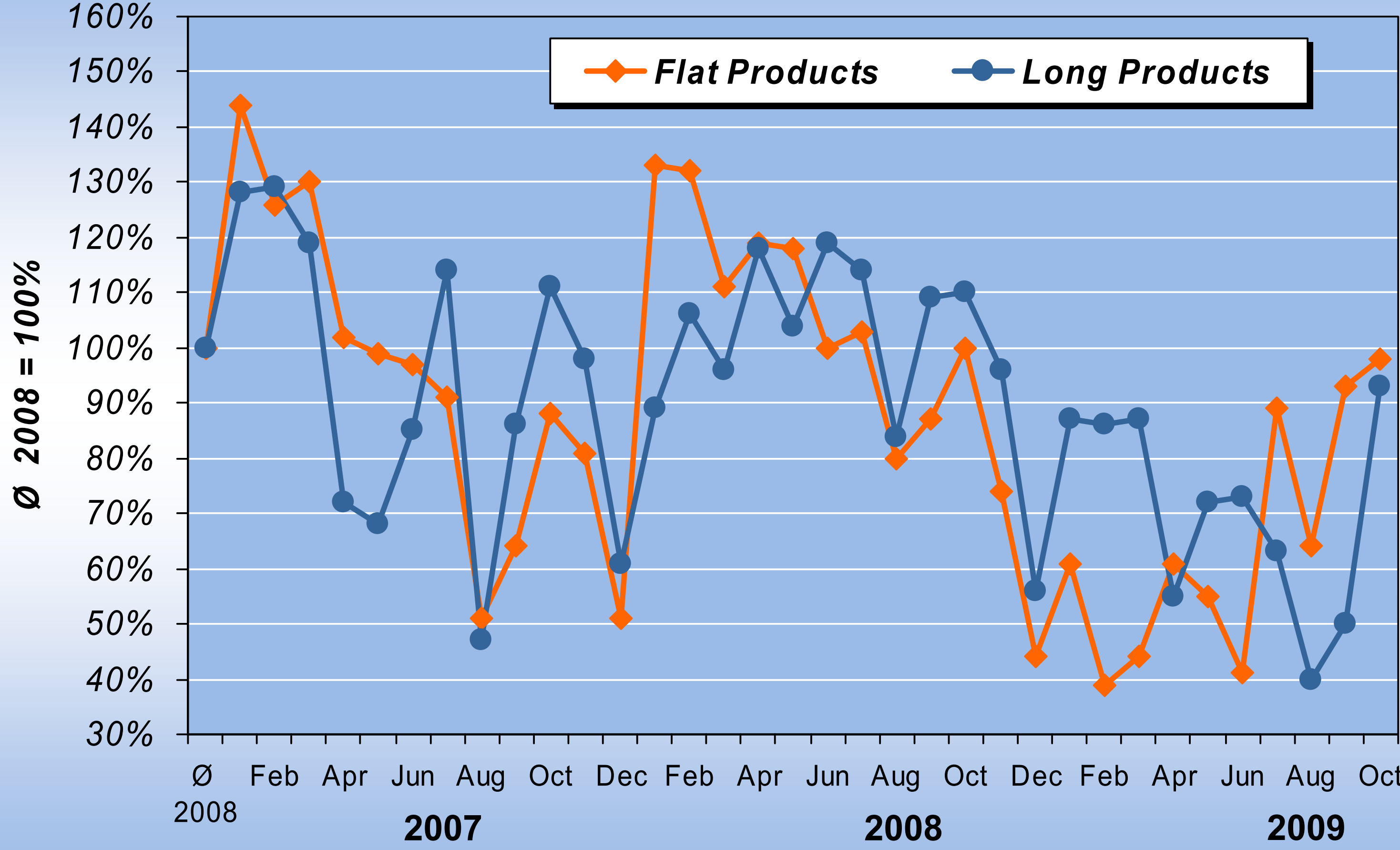
Imports of Stainless Steel Materials* into the United Kingdom

Country of Origin	2009								2008	Change
	Q1	Q2	July	Aug	Sept	Q3	Oct	ytd	ytd	to 2008
	in tonnes									in %
Germany	9,026	8,222	3,625	4,030	5,041	12,696	6,376	**36,320**	**56,303**	**-35%**
Spain	8,346	7,856	2,669	4,567	3,681	10,917	3,634	**30,753**	**40,585**	**-24%**
Italy	8,179	7,138	3,013	2,332	3,209	8,554	2,796	**26,667**	**36,476**	**-27%**
Bellux	4,498	5,783	1,985	849	1,975	4,809	2,508	**17,598**	**27,550**	**-36%**
Finland	5,371	4,214	2,396	222	1,501	4,119	2,271	**15,975**	**31,760**	**-50%**
South Africa	2,493	4,443	2,319	1,403	2,224	5,946	1,984	**14,866**	**19,201**	**-23%**
Sweden	4,314	3,799	1,974	241	1,425	3,640	1,782	**13,535**	**21,101**	**-36%**
Netherlands	1,712	3,447	2,040	760	1,550	4,350	785	**10,294**	**8,693**	**18%**
France	1,265	1,949	740	355	757	1,852	813	**5,879**	**10,802**	**-46%**
Taiwan	1,261	1,609	587	694	512	1,793	902	**5,565**	**10,184**	**-45%**
Czech Republic	726	981	353	267	392	1,012	432	**3,151**	**2,525**	**25%**
Austria	1,046	1,169	338	187	254	779	128	**3,122**	**3,528**	**-12%**
USA	825	393	168	61	208	437	106	**1,761**	**5,222**	**-66%**
China	611	443	215	194	124	533	170	**1,757**	**3,209**	**-45%**
India	605	352	133	65	77	275	270	**1,502**	**2,685**	**-44%**
Slovenia	254	464	314	167	80	561	140	**1,419**	**1,878**	**-24%**
Japan	335	141	60	73	77	210	71	**757**	**979**	**-23%**
Norway	243	243	-	4	67	71	109	**666**	**448**	**49%**
Irish Republic	138	316	49	20	73	142	20	**616**	**1,427**	**-57%**
Ukraine	20	136	62	110	20	192	83	**431**	**100**	**331%**
Denmark	87	101	29	30	29	88	35	**311**	**1,046**	**-70%**
Others	256	257	172	88	73	333	141	**987**	**2,674**	**-63%**
GRAND TOTAL	**51,611**	**53,456**	**23,241**	**16,719**	**23,349**	**63,309**	**25,556**	**193,932**	**288,376**	**-33%**

* HR Sheet/Plate, CR Sheet, Round Bars, Profiles, Welded and Seamless Tubes

Sources: ISSB, SMR - Steel & Metals Market Research Analysis

United Kingdom - Stainless Steel Market Volume Index
Long and Flat Products are currently returning both back to 2008 Average



Source: SMR - Steel & Metals Market Research Analysis

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Denmark - Imports by Product

Minus 35% - but Signs of Improvement in August and September

Imports of Stainless Steel Materials into Denmark (in tonnes)

Products	2008			2009								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
HR Sheet & Plate	772	1,004	977	693	503	769	818	523	632	637	708	841
CR Sheet	2,471	2,738	2,499	2,611	3,391	3,545	2,712	2,885	3,213	2,919	3,967	4,886
Round Bars	1,534	920	637	1,299	903	1,092	829	596	566	626	708	772
Profiles	245	123	69	96	66	51	118	61	34	19	78	180
Seamless Tubes	87	103	214	92	378	214	203	69	229	109	87	110
Welded Tubes (Rounds)	692	711	380	910	1,169	752	635	818	465	589	752	804
Welded Tubes (Square)	383	380	175	579	666	640	628	351	392	464	695	415
All Products	**6,184**	**5,979**	**4,951**	**6,280**	**7,076**	**7,063**	**5,943**	**5,303**	**5,531**	**5,363**	**6,995**	**8,008**

Products	2008 full year	2008 ytd	2009 ytd	change ytd
HR Sheet & Plate	12,658	9,905	6,124	-38%
CR Sheet	57,832	50,124	30,129	-40%
Round Bars	15,216	12,125	7,391	-39%
Profiles	1,809	1,372	703	-49%
Seamless Tubes	1,889	1,485	1,491	0%
Welded Tubes (Rounds)	11,262	9,479	6,894	-27%
Welded Tubes (Square)	4,847	3,909	4,830	24%
All Products	**105,513**	**88,399**	**57,562**	**-35%**

Sources: ISSB, SMR - Steel & Metals Market Research Analysis

Denmark - Imports by Country

January to September 2009 (vs. same Period 2008)

Imports of Stainless Steel Materials into Denmark

Country of Origin	2009							2008	Change to 2008
	Q1	Q2	July	Aug	Sept	Q3	ytd	ytd	
	in tonnes								in %
Sweden	4,078	4,218	645	1,801	1,349	3,795	**11,994**	**14,774**	**-19%**
France	4,616	3,647	1,425	894	1,810	4,129	**11,967**	**15,032**	**-20%**
Germany	3,698	3,467	1,202	1,703	1,671	4,576	**11,370**	**18,296**	**-38%**
Italy	3,564	2,988	826	884	1,061	2,771	**9,111**	**10,941**	**-17%**
Finland	1,414	1,305	479	800	415	1,694	**4,398**	**11,284**	**-61%**
Spain	1,031	843	285	355	572	1,212	**2,915**	**4,569**	**-36%**
Taiwan	948	565	205	294	752	1,251	**2,653**	**7,983**	**-67%**
India	415	216	5	78	64	147	**841**	**2,270**	**-63%**
Netherlands	183	203	89	59	80	228	**594**	**444**	**34%**
China	11	38	8	22	49	79	**410**	**248**	**65%**
Bellux	103	94	14	2	13	29	**224**	**565**	**-60%**
Norway	65	111	26	12	29	67	**212**	**476**	**-55%**
United Kingdom	62	35	80	15	17	112	**201**	**279**	**-28%**
Slovenia	79	44	37	40	19	96	**186**	**476**	**-61%**
Ukraine	50	55	-	4	25	29	**122**	**98**	**24%**
Others	102	68	37	32	82	151	**364**	**664**	**-45%**
GRAND TOTAL	**20,419**	**17,897**	**5,363**	**6,995**	**8,008**	**20,366**	**57,562**	**88,399**	**-35%**

* HR Sheet/Plate, CR Sheet, Round Bars, Profiles, Welded and Seamless Tubes

Sources: ISSB, SMR - Steel & Metals Market Research Analysis

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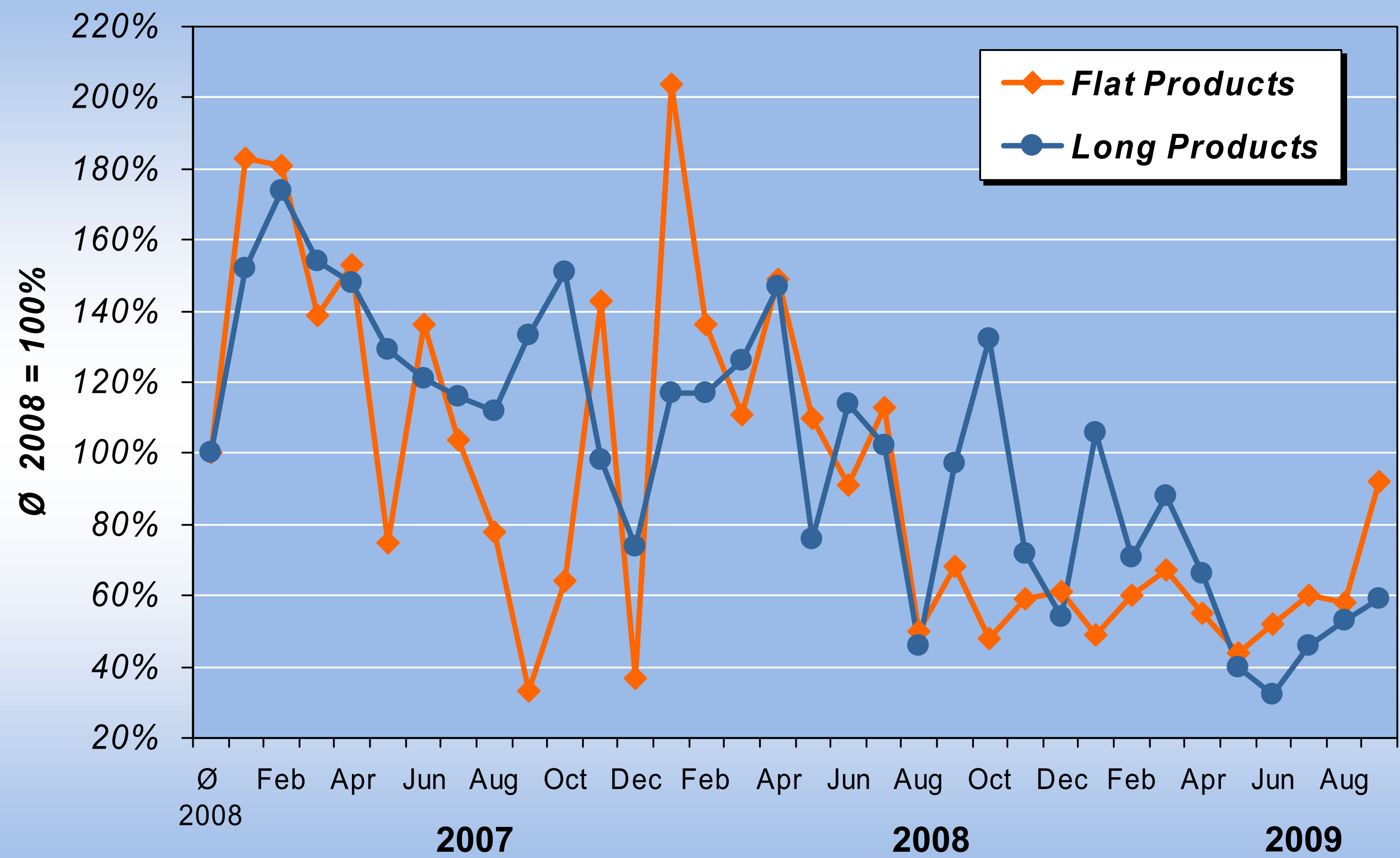
Denmark - Stainless Steel Market Volume Index
Stabilization on low Level in Q3 – Flat better than Long Products



Source: SMR - Steel & Metals Market Research Analysis

Sweden - Imports by Product

September 2009: Best Month since October '08 – Ytd, however, still -45%

Imports of Stainless Steel Materials into Sweden (in tonnes)

Products	2008			2009								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
HR Sheet & Plate	3,541	1,104	1,355	838	620	744	906	843	471	445	794	2,684
CR Sheet	8,811	4,969	4,094	4,226	5,070	5,634	4,581	5,082	6,699	4,560	6,384	7,113
Round Bars	2,131	1,917	1,245	1,216	1,390	1,271	1,138	1,293	930	1,205	659	1,207
Profiles	597	451	448	144	213	215	272	75	101	170	103	253
Seamless Tubes	187	75	75	115	63	157	89	54	117	70	187	248
Welded Tubes (Rounds)	1,007	765	626	535	573	646	612	872	703	465	552	845
Welded Tubes (Square)	488	334	124	300	339	351	337	266	454	160	336	353
All Products	**16,762**	**9,615**	**7,967**	**7,374**	**8,268**	**9,018**	**7,935**	**8,485**	**9,475**	**7,075**	**9,015**	**12,703**

Products	2008 full year	2008 ytd	2009 ytd	change ytd
HR Sheet & Plate	28,723	22,723	8,345	-63%
CR Sheet	104,282	86,408	49,349	-43%
Round Bars	24,866	19,573	10,309	-47%
Profiles	5,691	4,195	1,546	-63%
Seamless Tubes	1,293	956	1,100	15%
Welded Tubes (Rounds)	11,205	8,807	5,803	-34%
Welded Tubes (Square)	3,055	2,109	2,896	37%
All Products	**179,115**	**144,771**	**79,348**	**-45%**

Sources: ISSB, SMR - Steel & Metals Market Research Analysis

Sweden - Imports by Country
January to September 2009 (vs. same Period 2008)

Imports of Stainless Steel Materials into Sweden

Country of Origin	2009							2008	Change
	Q1	Q2	July	Aug	Sept	Q3	ytd	ytd	to 2008
	in tonnes								in %
Spain	4,591	7,185	1,955	2,702	4,027	8,684	**19,817**	**40,603**	**-51%**
Finland	5,954	6,659	1,073	2,461	1,575	5,109	**17,023**	**23,783**	**-28%**
South Africa	3,015	1,829	1,175	326	2,323	3,824	**9,261**	**20,490**	**-55%**
Denmark	2,915	3,228	582	1,052	1,149	2,783	**8,813**	**8,934**	**-1%**
Italy	3,027	3,110	1,016	346	977	2,339	**8,297**	**14,337**	**-42%**
Germany	2,539	2,600	799	1,073	1,177	3,049	**7,921**	**14,088**	**-44%**
France	580	627	66	271	270	607	**1,939**	**7,094**	**-73%**
USA	197	208	51	183	565	799	**1,161**	**4,198**	**-72%**
Japan	328	342	50	25	91	166	**836**	**1,247**	**-33%**
Bellux	284	150	109	55	50	214	**602**	**2,463**	**-76%**
Netherlands	172	163	28	113	75	216	**549**	**919**	**-40%**
United Kingdom	124	161	34	62	64	160	**515**	**1,351**	**-62%**
Canada	84	163	36	60	25	121	**366**	**197**	**86%**
India	83	24	-	66	130	196	**279**	**113**	**147%**
Norway	144	86	10	24	11	45	**262**	**1,437**	**-82%**
Latvia	184	57	-	22	18	40	**253**	**460**	**-45%**
Austria	55	86	29	15	34	78	**229**	**324**	**-29%**
China	27	27	-	16	-	16	**206**	**96**	**115%**
Others	357	273	62	143	142	347	**1,019**	**2,637**	**-61%**
Grand Total	**24,660**	**26,978**	**7,075**	**9,015**	**12,703**	**28,793**	**79,348**	**144,771**	**-45%**

* HR Sheet/Plate, CR Sheet, Round Bars, Profiles, Welded and Seamless Tubes

Sources: ISSB, SMR - Steel & Metals Market Research Analysis

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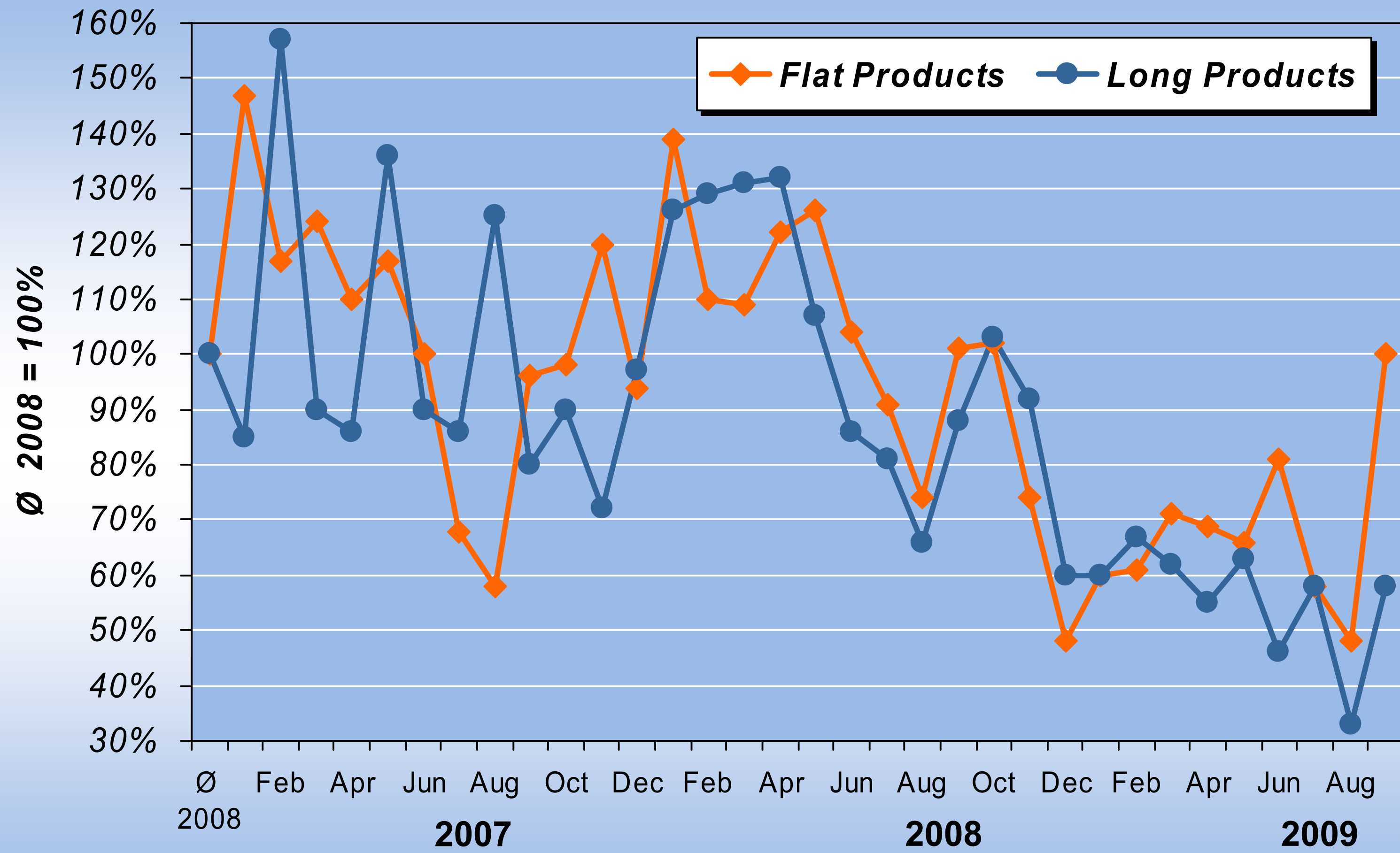
Sweden - Stainless Steel Market Volume Index
Flat Products outperformed Long Products in September 2009



Source: SMR - Steel & Metals Market Research Analysis

Norway - Imports by Product

'Only' -25%: Norway has been still better than its Scandinavian Neighbours

Imports of Stainless Steel Materials into Norway (in tonnes)

Products	2008	2009										
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
HR Sheet & Plate	1,322	381	775	1,228	500	496	472	128	373	419	360	455
CR Sheet	1,267	1,009	1,240	1,324	1,237	1,001	1,360	711	782	986	1,105	968
Round Bars	492	629	779	641	529	571	678	350	495	675	619	528
Profiles	139	101	68	151	109	118	99	107	75	85	60	65
Seamless Tubes	485	420	324	476	751	467	383	257	293	435	220	64
Welded Tubes (Rounds)	333	608	555	762	422	513	502	295	428	511	383	688
All Products	**4,038**	**3,148**	**3,741**	**4,582**	**3,548**	**3,166**	**3,494**	**1,848**	**2,446**	**3,111**	**2,747**	**2,768**

Products	2008 full year	2008 ytd	2009 ytd	change ytd
HR Sheet & Plate	11,641	10,319	5,587	-46%
CR Sheet	15,594	14,327	11,723	-18%
Round Bars	7,691	7,199	6,494	-10%
Profiles	1,912	1,773	1,038	-41%
Seamless Tubes	5,242	4,757	4,090	-14%
Welded Tubes (Rounds)	7,609	7,276	5,667	-22%
All Products	**49,689**	**45,651**	**34,599**	**-24%**

Sources: ISSB, SMR - Steel & Metals Market Research Analysis

Norway - Imports by Country
January to November 2009 (vs. same Period 2008)

Imports of Stainless Steel Materials into Norway

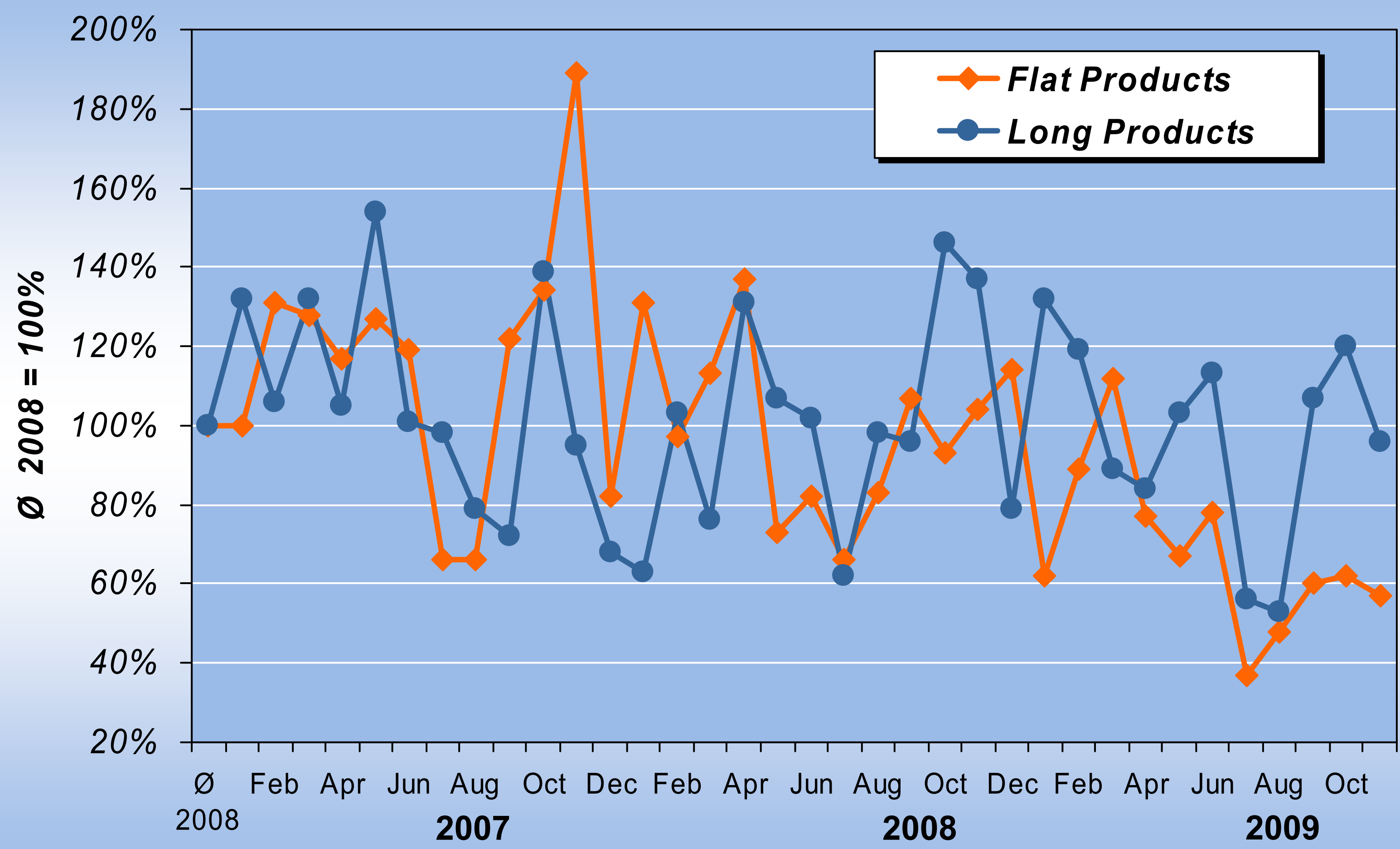
Country of Origin	2009 Q1	2009 Q2	2009 Q3	2009 Oct	2009 Nov	2009 ytd	2008 ytd	Change to 2008
	in tonnes							in %
Sweden	2,907	2,958	1,984	896	756	**9,501**	**12,795**	**-26%**
Finland	1,892	1,843	1,895	678	754	**7,062**	**9,249**	**-24%**
Germany	921	1,283	881	362	283	**3,730**	**3,828**	**-3%**
France	1,151	1,130	597	170	160	**3,208**	**4,299**	**-25%**
Denmark	573	555	415	216	170	**1,929**	**2,822**	**-32%**
Italy	651	403	333	94	369	**1,850**	**1,896**	**-2%**
Czech Republic	331	749	605	71	8	**1,764**	**782**	**126%**
Bellux	1,161	127	187	44	46	**1,565**	**4,046**	**-61%**
United Kingdom	613	537	143	73	71	**1,437**	**1,871**	**-23%**
Netherlands	536	256	19	3	15	**829**	**714**	**16%**
Spain	220	136	127	35	14	**532**	**799**	**-33%**
Taiwan	75	55	88	34	86	**338**	**903**	**-63%**
India	82	43	61	20	19	**225**	**232**	**-3%**
China	156	10	-	-	-	**166**	**370**	**-55%**
Ukraine	135	1	12	13	1	**162**	**10**	**n.a.**
Austria	27	24	6	4	-	**61**	**136**	**-55%**
Poland	10	21	19	3	1	**54**	**138**	**-61%**
Others	30	77	33	31	15	**186**	**761**	**-76%**
GRAND TOTAL	**11,471**	**10,208**	**7,405**	**2,747**	**2,768**	**34,599**	**45,651**	**-24%**

* HR Sheet/Plate, CR Sheet, Round Bars, Profiles, Welded and Seamless Tubes

Sources: ISSB, SMR - Steel & Metals Market Research Analysis

Norway - Stainless Steel Market Volume Index

Surprisingly weaker Flat Product Market in October / November



Source: SMR - Steel & Metals Market Research Analysis

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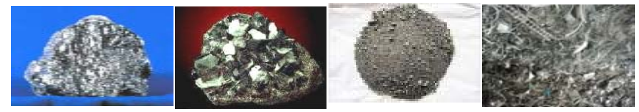
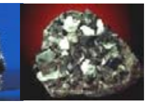


3. Raw Materials

- Nickel
- Chrome
- Molybdenum
- Scrap

Raw Materials - Nickel and Chrome

Prices have been again not driven by Fundamentals

- **NICKEL** prices (LME 3-months) reached again a level close to 20,000 US$/t in early January but never exceeded this line. Later in January, the price moved again sideways without clear direction. In general, a 20,000 US$ price is not supported by fundamentals.
- Primary Nickel demand for Stainless was relatively stable compared to 2008 due to the limited availability of stainless steel scrap (which supported the use of primary instead of secondary Nickel).
- Temporary price increases remain possible: Like other raw materials, Nickel is in the focus of investment strategies of commercial investors.
- Current Situation: extremely high stock levels at LME warehouses (around 160,000 t) in January. Strike at Vale Inco Sudbury (started in July 2009) still goes on. But Vale will re-start one of its smelters in January. Nickel pig iron production in China remains on a high level (alternative to primary Nickel).
- BHPBilliton sold its Ravensthorpe mine to First Quantum Minerals (Canada) in December 2009 and Yabulu Smelter to Queensland Nickel in early 2009. Some market members interpret this as signal that BHPBilliton intends to exit the Nickel market completely.

- **CHROME** - Q1/10 contract prices between European customers and South African suppliers have dropped by 2 Cents to 1.01 US$/lb (compared with 1.03 $/lb in Q4/09). However, Asian customers – who pay normally lower spot market prices - are becoming more important to South African producers. It is expected that European customers will also increasingly buy from spot market to achieve a price advantage.
- South African suppliers showed disappointment after the agreement and target for price increases in Q2 – reasons: demand increase and electricity price increase (+35%) in South Africa. It has been again announced to close FeCr smelters (Assmang closed a smelter already) to stabilise prices.
- ENRC (owner of Kazchrome/Kazakhstan) intends to expand its HC FeCr capacity by 170,000 t until 2012 (replacement of its existing furnaces at the Aktobe plant)

Raw Materials - Molybdenum and Stainless Steel Scrap

Mo Introduction at the LME – Could it become a Success Story?

- **MOLYBDENUM** - The Mo market was relatively robust in December and started very promisingly in January. Particularly, demand from Asia remained robust in recent weeks.
- The LME will start trading Molybdenum in February. Molymet has registered its Mo products as one of the first companies at the LME. In general, the Mo industry is not sure, whether positive effects (better profits) will outweigh negative effects (high volatility = increasing substitution?).
- There are three other companies (all from China) which applied for registration at the LME yet: Jinduicheng Molybdenum, China Molybdenum and Kwangyang Ferroalloys
- The financial community on the other hand highly appreciates the Mo pricing at the LME. They anticipate enormous benefits and advertise already Mo as the ‘future star performer’ amongst raw materials. In other words: Mo will go the Ni way: high volatility / prices far from fundamentals
- In anticipation of price increases, Mo projects (which have been postponed in recent months) will have a come back in 2010/11 (Endako Mine, Kitsault Mine etc).

- **STAINLESS STEEL SCRAP** – demand of primary Nickel in stainless steel increased by 7% in 2009 – due to relatively low availability of revert and external scrap.
- 2010: it is expected that the scrap ratio will substantially increase in 2010.
- Stainless steel scrap prices increased again in early 2010 due to relatively strong demand and rising Ni LME prices. At the end of 2009, demand was weak in all major markets
- US exports of stainless steel scrap dropped in September and October due to weaker demand from Asian markets.
- Availability will remain below normal levels in Q1: Prices are expected to increase again.

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Nickel Projects (including Ore)

Increasing Optimism could lead to a ‘Renaissance’ of Ni Projects in 2010

Project (Country / Company)	Start-up (planned)	originally announced for	Additional Capacity in kt	Total Additional Annual Cap.
AAC Ni Expantion (South Africa/AAC)	2010	2008	+ 58 kt	+ 436 kt
Goro (New Caledonia / Vale Inco 69%, Sumic 21%)	2010	2009	+ 58 kt	
Votorantim (Brazil Niquelândia / Votorantim Metals)	2010	2009	+ 42 kt	
P T Inco (Indonesia / Vale Inco)	2010	2009	+ 17 kt	
Amplats (South Africa)	2010	2007	+ 13 kt	
Northmet (Polymet, Minnisota)/Ore	2010	2009	+ 22 kt	
Yerilla Nickel Project (Kalgoorlie/Heron)	2010	2009	+ 21 kt	
Eagle, Kennecot (Rio Tinto, Michigan)	2010	2009	+ 13 kt	
Scevchenko (Kazakhstan/Mechel)	2010		+ 21 kt	
Nunavik Nickel Project (Quebec/CRI)	2010	2008	+ 15 kt	
Obi Island (Indonesia / Antam, Tsingshan)	2010		+ 20 kt	
Lasamphala Mine (Indonesia / PT Rio Tinto)	2010		+ 46 kt	
Radio Hill Project (Karatha(AUS)/FOX, Jinchuan)	2010		+ 10 kt	
Ambatovy (Madagascar / Sherritt / Sumitomo)	2010		+ 60 kt	
Tarapur (India / Viraj)	2010		+ 20 kt	
Nonoc (Philippines / questionable)	2011	2008	+ 42 kt	+ 271 kt
Barro Alto (Brazil / Anglo American)	2011	2010	+ 36 kt	
Ravensthorpe (Australia / First Quantum Minerals) Re-Start	2011		+ 39 kt	
Caldag (Turkey / European Nickel) / Ore	2011	2009	+ 21 kt	
Fenix Project (Guatemala/Hudbay)	2011	2009	+ 22 kt	
Onca Puma (Brazil / Vale)	2011	2009	+ 58 kt	
Doniambo (New Caledonia/Eramet	2011		+ 15 kt	
Henan Nickel Project (China Nickel Resources)	2011	2009	+ 30 kt	
Totten (Canada / Vale)	2011		+ 8 kt	
Niquel do Piaui (Brazil / Vale)	2012		+ 36 kt	+ 220 kt
Gladstone Pacific Nickel Project (Australia/GPNL)	2012		+ 63 kt	
Sotkamo (Finland / Talvivaara)	2012		+ 17 kt	
Rustenburg (South Africa/Anglo American)	2012		+ 14 kt	
Ambatovy Project (Madagascar/Sherritt,Sumitomo)	2012	2010	+ 54 kt	
Niquel do Piaui (Brazil / Vale)	2012		+ 36 kt	
Weda Bay Project (Indonesia/Eramet)	2013		+ 53 kt	+ 321 kt
Eagle, Kennecot (Rio Tinto, Michigan)	2013	2009	+ 13 kt	
Birch Lake Nickel (Minnisota/Franconia Metals)	2013	2009	+ 9 kt	
Koniambo (NewCaledonia / Xstrata)	2013	2010	+ 60 kt	
Taganito Project (Philippines/Sumitomo)	2013		+ 30 kt	
Voisey's Bay (II) (Canada/Vale)	2013		+ 50 kt	
Gag Island (Halmahera) Project (Indonesia/BHP Biliton)	2013	2008	+ 60 kt	
Vermelho (Brazil / Vale)	2013	2008	+ 46 kt	
Biankoumu/Sioilou (Cote D'Ivoire/Xstrata, Sodem)	2014		+ 33 kt	+ 33 kt
Sulawesi (Indonesia / Rio Tinto)	2015		+ 46 kt	+ 46 kt

On hold

delayed

as planned

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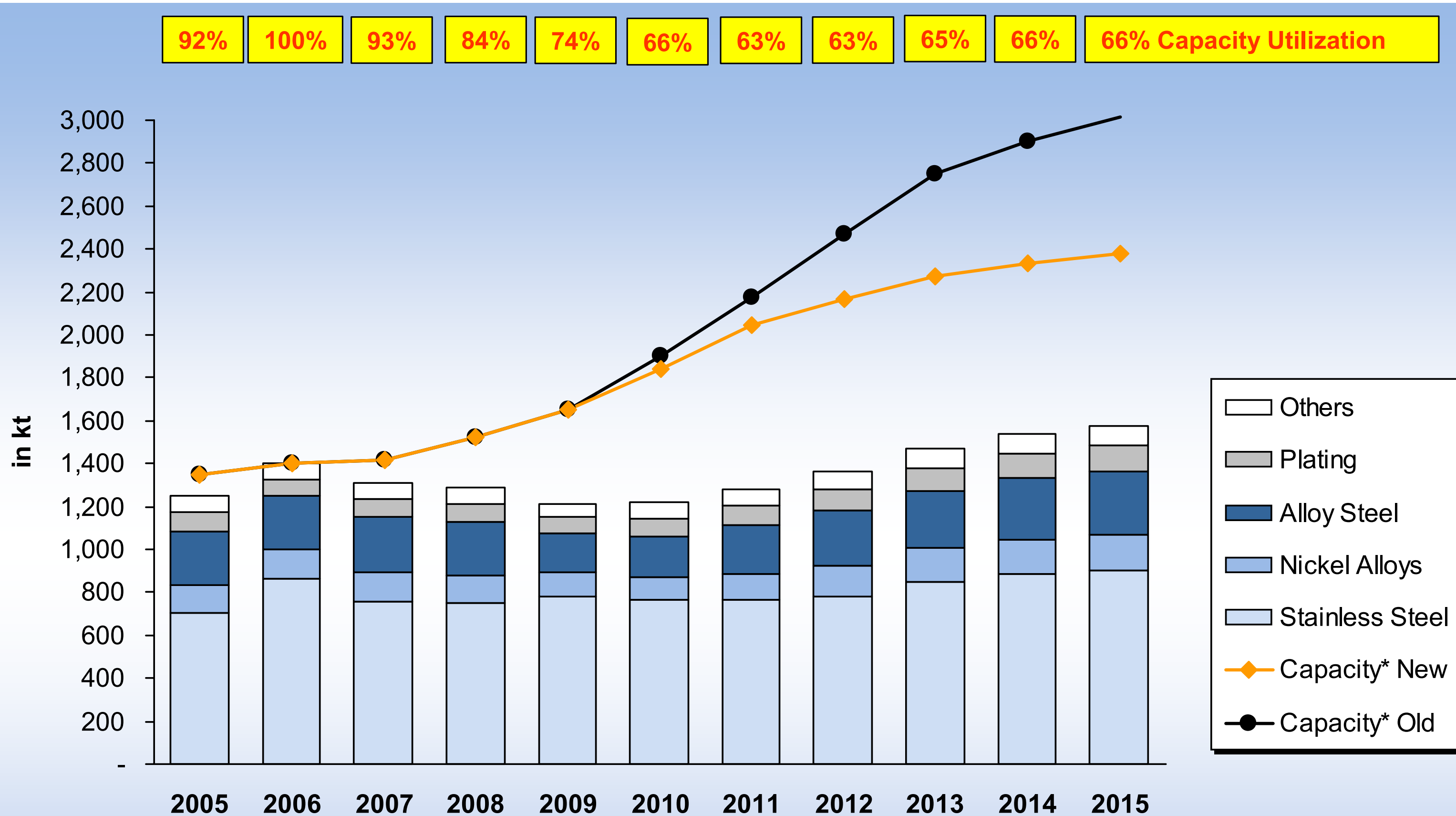
Demand and Capacity of Primary Nickel 2005 -15
Ni Primary Capacity will increase much faster than Demand



) Capacity Old: Capacity of all projects initially announced / Capacity* New: Capacity excluding capacity on hold and 50% of postponed/already delayed projects – Projects 2012-15: general assumption that only 50% of announced projects will really start

-Relatively low growth of primary Nickel in Stainless expected (falling austenitic ratio, increasing stainless steel scrap ratios after extremely low levels in 2009 and continuing through 2010)

-In the case, most of capacity (New) will come on stream: Utilization Ratio will fall to below 70% in the next years

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Comparison 300series Ratio and Ni Prices (Annual Averages)

Fundamentals do not indicate substantial Nickel Price Increases until 2015

Assumptions:

- Speculation in raw materials supports Ni Price in 2010
- Long Term Fundamentals (new capacity will come on stream, low Ni capacity utilization, slightly falling 300series share) will lead to average Nickel prices between 15 and 20,000 US$ from 2011-15.