

Conslin Steel Trends Q2 2007

Will China cut steel exports effectively?

Unexpected by most experts, steel prices have increased since the beginning of 2007. Fears that Exports from China would lead to a price dip on international markets did not come true through the first months of the year. To avoid such a development for the future, China has introduced several measures making steel exports less attractive for national producers. If those measures will prove successful and what impacts this will have on the global steel industry, will arise during the next few months.

In the latest edition of Conslin Steel Trends, we continue to analyse current market developments and give a forecast on prices until the fourth quarter of 2007.

For more information on the content of Conslin Steel Trends, you can download a sample copy of Conslin Steel Trends Q4 2006 free of charge at:
<http://www.conslin.com/conslin-steel-trend-Q4-2006.htm>.

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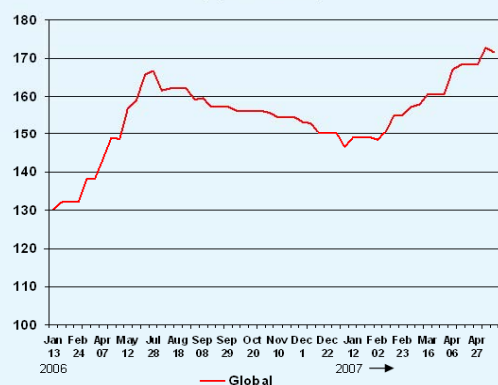
Steel prices have soared since the beginning of the year

Main developments during the last months

- Instead of falling prices predicted by most experts, steel prices rose to new highs
- The price rebound was stronger than anybody expected as prices soared well past the summer peak
- The world economy is booming and demand for steel is high except in the US
- China cut or abolished steel tax rebates on a series of grades on 15th April; further measures were introduced in May, e.g. steel makers now need licences for the export of several steel grades
- The fear that it might come to increased output and exports from China, leading to sinking prices in the second half of 2007 was still present although this is debatable as several analysts and steelmakers forecast further price increases
- India is emerging as a steel producing force to be reckoned with
- Most additional steel demand is coming from emerging and especially Asian markets
- Differing views on the development of commodity prices
- Despite the approaching typical third quarter seasonal lull prices are not really expected to weaken

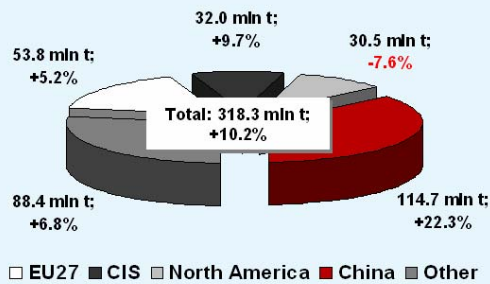
Global steel prices rebounded to above summer peak levels seen in 2006

- CRU weekly carbon steel price index -
 (April 1994=100)



The worlds' largest steelmaking nations all raised production with the US and Canada as the only exceptions

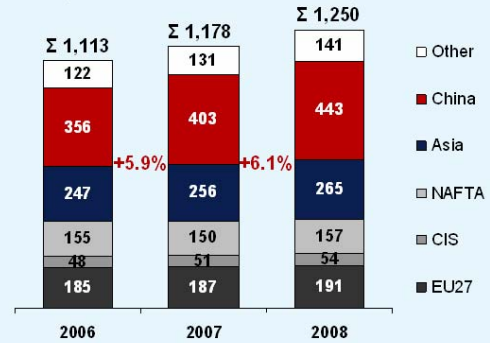
- Global crude steel production in Q1 2007-
(growth rate as compared to Q1 2006)



□ EU27 ■ CIS □ North America ■ China ■ Other

- ISSB sees global steel output climbing to 1.24 bln metric tons this year, with consolidation making 15 companies responsible for 35% of total production; MEPS even predicts output of 1.3 bln tons, a rise of 5.5%
- EU nations are forecast to raise production moderately as most of the additional steel output will come from China and India, with significant contributions made by CIS and Brazil
- Output in the US and Canada is to decline further

- Apparent global steel demand -
(in mln metric tons of finished steel)



- Posco predicts global steel demand to increase by around 5.9% this year, in line with similar forecasts by analysts and trade associations
- Demand will be driven by emerging markets especially in Asia
- EU countries are experiencing robust demand thanks to the general economic upswing
- China's steel demand will be determined by the effectiveness of government efforts to cool down the economy

Sources: IISI, press articles; Analysis Conslne AG

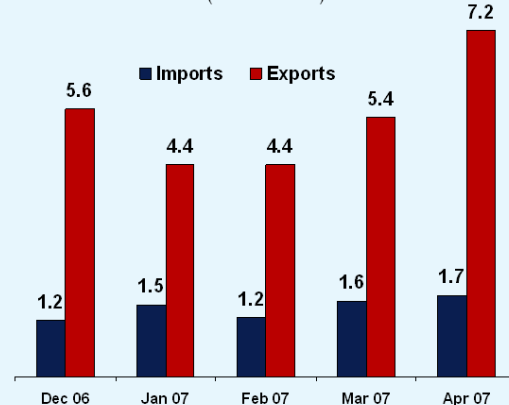
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Despite countermeasures, China was showing all signs of continued export growth

Steel Company	Share of exports in total company output (Q1 2007)
Baosteel	12.74%
Anshan Steel	22.04 %
Benxi Steel	10.26%
Wuhan Steel	7.20%
Shougang	10.93%
Shagang	10.06%
Tangshan Steel	3.04%
Jinan Steel	12.34%
Laiwu Steel	12.45%
Maanshan Steel	11.77%
Valin Group	19.64%
Taiyuan Steel	8.39%

- Chinese steel trade -
(in mln tons)



- Chinese finished steel exports hit an all-time record of 7.16 mln tons in April, up by 165% year-on-year, replacing the previous record of 5.55 mln tons set in December 2006
- The quality of exported steel products is rising; China may soon become a net exporter of stainless steel
- Domestic steel consumption is much lower than steel output growth in China at present; high prices and global steel demand are likely to have Chinese steel exports linger at high levels despite government efforts to curb them

Sources: Press articles, CISA; Analysis Conslne AG

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Despite countermeasures, China was showing all signs of continued exj

Steel Company	Share of exports in total company output (Q1 2007)
Baoiron	12.21%
Anshan Steel	22.84%
Bessemer Steel	18.26%
Wuhan Steel	7.26%
Shougang	16.93%
Shagang	16.89%
Tangshan Steel	3.84%
Jiayu Steel	12.34%
Laiwu Steel	12.45%
Maanshan Steel	11.77%
Valeo Group	19.64%
Taiyuan Steel	8.39%

- Chinese steel trade (in million tons)

Month	Imports	Exports
Dec 06	1.2	5.6
Jan 07	1.5	4.4
Feb 07	1.2	4.4

- Price development for HR and CR coil -

- Main regional trends & trade -

- North America:**
 - Production is expected to continue to expand
 - Demand is increasing as the economy recovers; already in Q2 2007
- Europe:**
 - Demand is still robust
 - Production increases, esp. in Germany
- India:**
 - Indian steel exports increased by 61% to 4.75 million tons in 2006/07
 - Most of the country's booming steel output remains on the domestic market as India develops its infrastructure
 - India's steel sector is nevertheless ambitious to play a leading role on a global scale
- Russia:**
 - China's summer increases scrap availability and exports
- Japan:**
 - High exports from Japan
 - Still rising commodity prices in the region
 - Steel demand forecast to increase by 3.3%
- China:**
 - Currently, exports volumes are soaring due to lower growth in domestic demand and high world market prices
 - Measures to curb exports might show results in the near term