



Metal Expert News & Weekly

Global Steel and Raw Materials News and Prices

***World Slab Market:
Reality and Future. Slab Producers' Strategies***

World Steel Semis Market

October 18-19 2010, Istanbul

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Editor

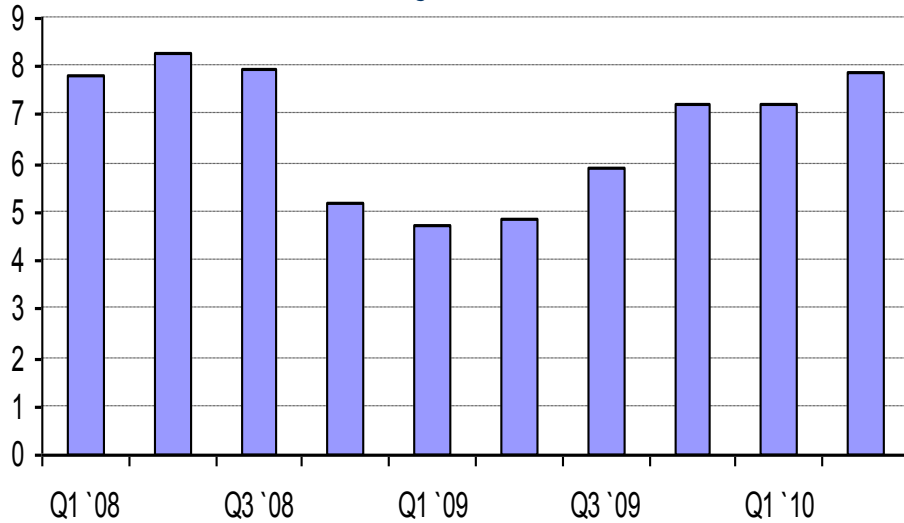
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Content

- *Outlook for world slabs trade: on the way to recovery*
- *Developments in main consuming regions*
- *Slabs' suppliers strategies*
- *Prices for slabs in Q4 `10*

Global slab trade is recovering...

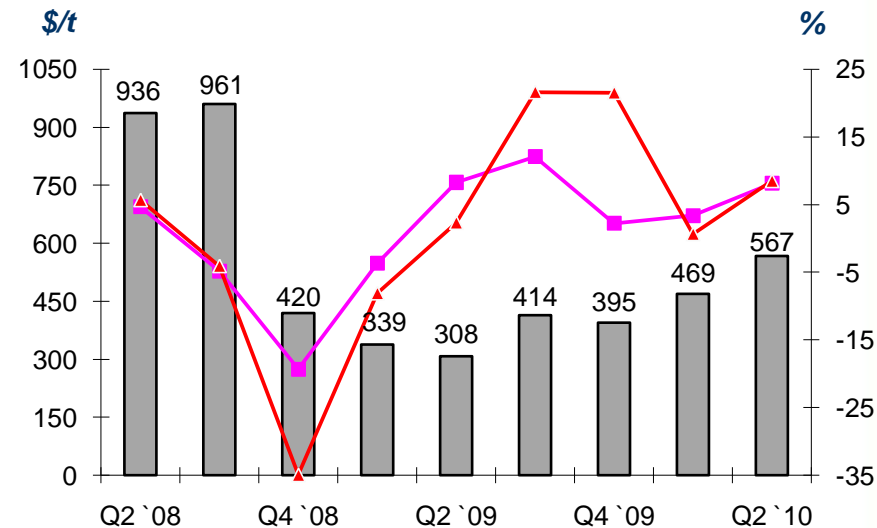
Global slab trade dynamics, MT



Source: ISSB

In H1 '10 volume of slabs exported globally was just by 8% less than in H1 '08 and by 55% more than in H1 '09

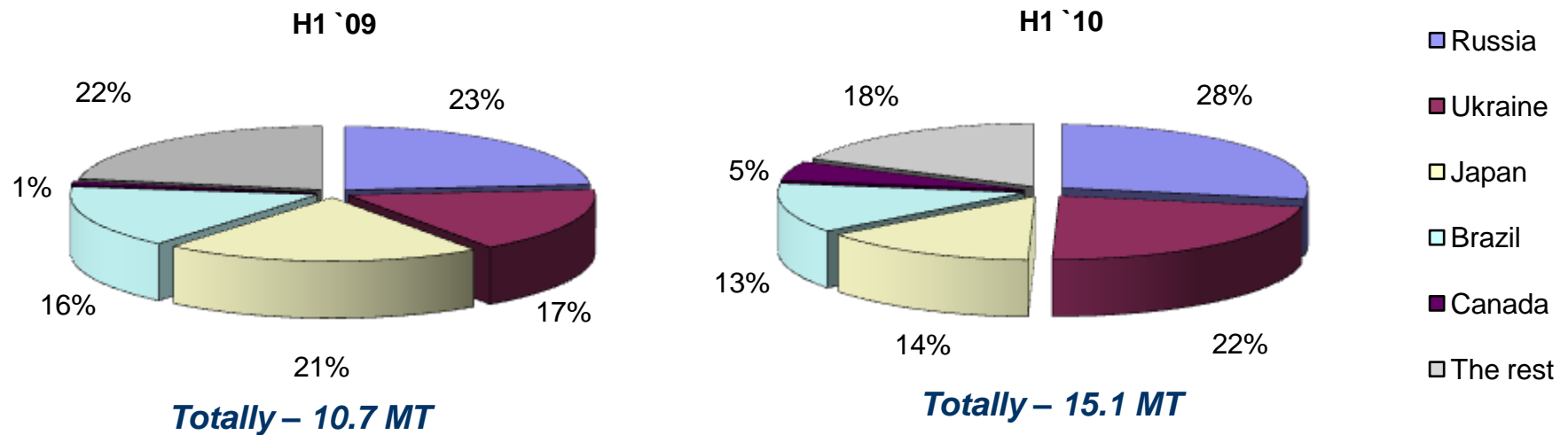
In '09 volume of slabs exported globally amounted to 22.75 MT, but in H1 '10 –it is already around 15.1 MT



Prices for slabs, FOB Black Sea
 Global steel production growth rate, %
 Global slab trade growth rate, %

Source: Metal Expert

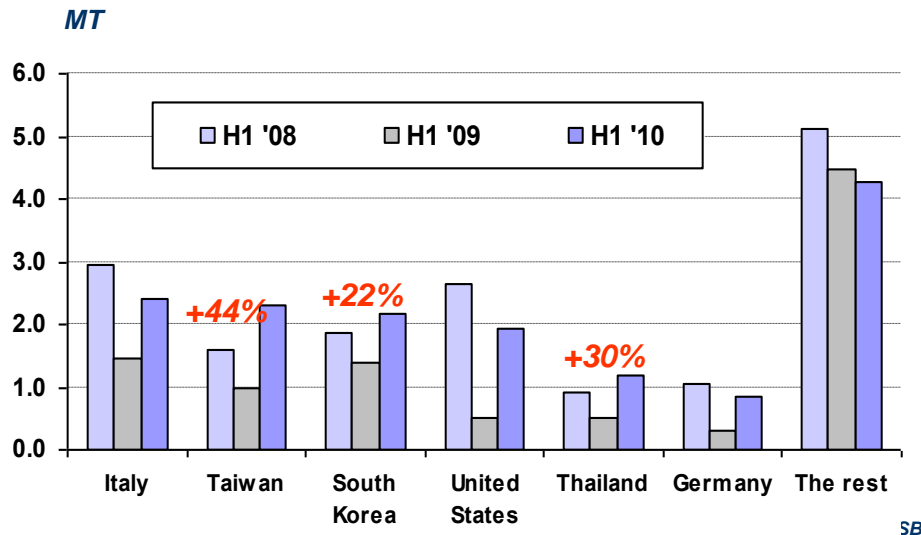
Alignment of exporters' forces got minor changes...



		H1 '09	H1 '10
Russia	Shipments to the countries with captive assets	1,65	2,60
	Shipments to SEA	0,58	1,39
	Other exports	0,33	0,21
Ukraine	Shipments to the countries with captive assets	0,40	1,46
	Shipments to SEA	1,17	1,61
	Other exports	0,13	0,36
Japan	Shipments to SEA	1,54	2,09
	Other exports	0,15	0,06

Global slab trade is recovering...

Key slab-consuming countries



* - H1 '10 is comparison with H1 '08

Other key buyers are still on the way to reach pre-crisis consumption level

SEA slab requirements, i.e. 6.9 MT, in H1 '09 exceeded H1 '08 by 17%

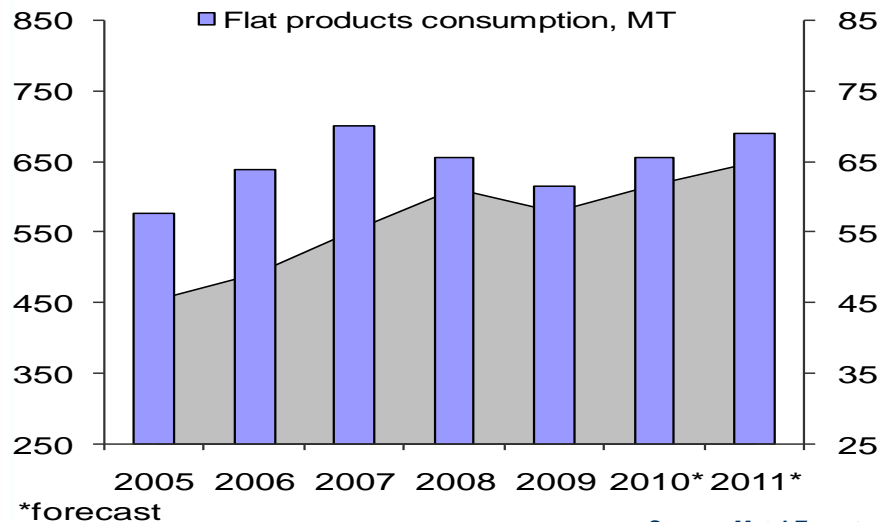
due to rolling capacity expansions at China Steel, Dongkuk, Posco, etc.

Slabs import, MT

	H1 '08	H1 '09	H1 '10
Far East	5,84	5,33	6,86
Europe	6,68	3,31	5,72
Americas	2,90	0,63	2,31
The rest	0,72	0,35	0,22

A good beginning is JUST half the battle...

□ World GDP, Billions of U.S. dollars
 ■ Flat products consumption, MT



Source: Metal Expert

Metal Expert believe that in 2011 flats' consumption will grow by 5%

Due to rerolling capacity expansions nominal slabs requirement will shrink, but stay impressive

Key SEA countries slab requirements, MT

	'09, import	'09	'10	'11	'12	'13
S. Korea	4,37	4.3	5.3	6.3	6.3	6.3
Thailand	2,22	5,4	5,4	1,9	2,4	3,1
Taiwan	3,00	3.4	5,5	5,5	3	3
Total	9,59	13.1	16.2	13.7	11.7	12.4

Source: Metal Expert

Mills must try hard not to oversupply the market...

	2009*	2010**	2011**	2012**	2013**
NLMK	3.6	3	4.9	5.8	5.8
Zapsib	0.89	2.5	2.5	2.5	2.5
NTMK	1.26	2.6	2.6	2.6	2.6
Severstal	0.71	1.5	1.5	1.5	0.85
MMK	0	1.45	0.3	0.3	0.3
Asha SW	0.03	0.28	0.4	0.4	0.4
Mechel	0.01	0.7	0.7	0.7	0.7
Amurmetal	0.03	0.5	0.5	0.5	0.5
Russia total	6.53	12.53	13.4	14.3	13.65
Azovstal	2.29	4.35	4.35	4.35	4.35
Alchevsk	1.47	5.85	5.85	5.85	5.85
Illych	0.61	0.5	0.5	0.5	0.5
VorsklaStal	0	0	0	0	3
Ukraine total	4.37	10.7	10.7	10.7	13.7
CIS total	10.9	23.23	24.1	25	27.35

Nominal merchant slabs capacity will grow by app. 0.9 MT in H2 of 2011 due to ambitious expansion program of NLMK.

Producer is going to buy rerolling assets 3 MT and up abroad

CIS mills can easily more than double their export of slabs

* - export volume

** - nominal merchant slabs capacity

Mills must try hard not to oversupply the market...

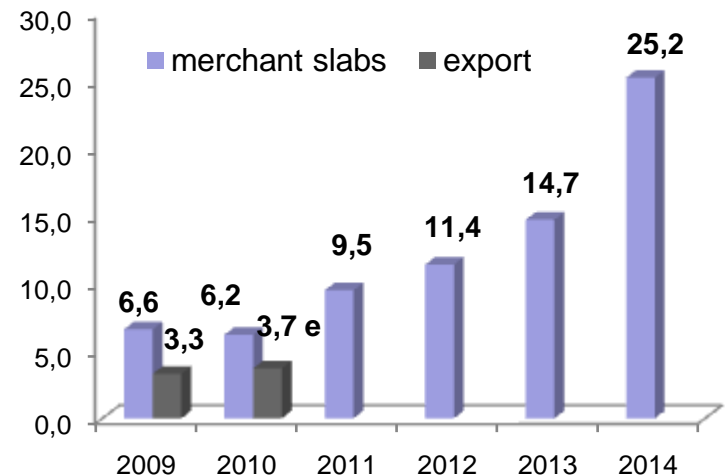
Merchant slabs capacities, MT

	'09	'10	'11	'12	'13	'14
AM Tubarao	4,7	3,5	3,5	3,5	3,5	3,5
Usiminas Cosipa	1,15	1,15	0,15	-1,15	-1,15	-1,15
Usiminas Ipatinga	0,2	0,2	0,2	0	-0,15	-0,15
Usipar	-	-	-	2	2	2
ThyssenKrupp CSA	-	0,8	5	5	5	5
CSN PV	-0,1	-0,1	0	1,4	1,4	1,4
CSP	-	-	-	-	-	3
Gerdau Acominas	0,63	0,63	0,63	0,63	0,9	0,9
Alpa	-	-	-	-	-	2
CSU	-	-	-	-	-	5
CSM	-	-	-	-	3,2	3,7
Total	6,58	6,18	9,48	11,38	14,7	25,2

Source: Metal Expert

Like CIS mills, Brazilians are using only 50-60% of merchant slabs capacity

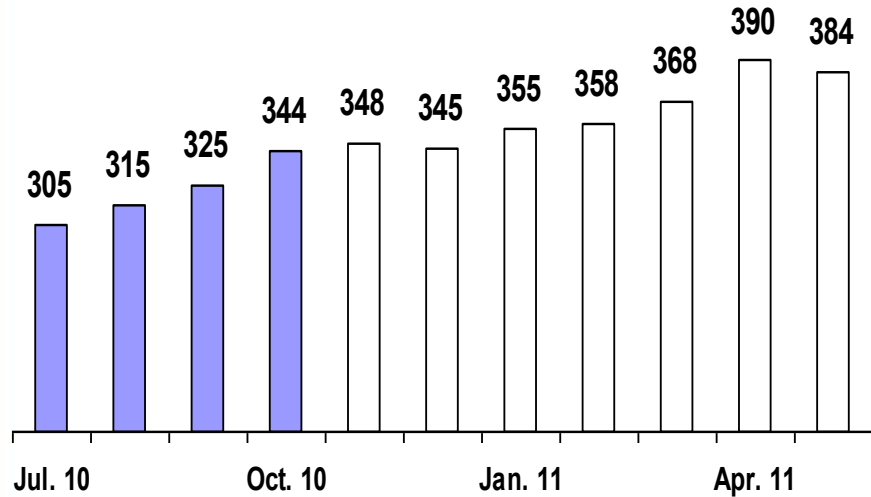
ONLY 3 steelmaking expansion projects have been cancelled since '08



Source: Metal Expert

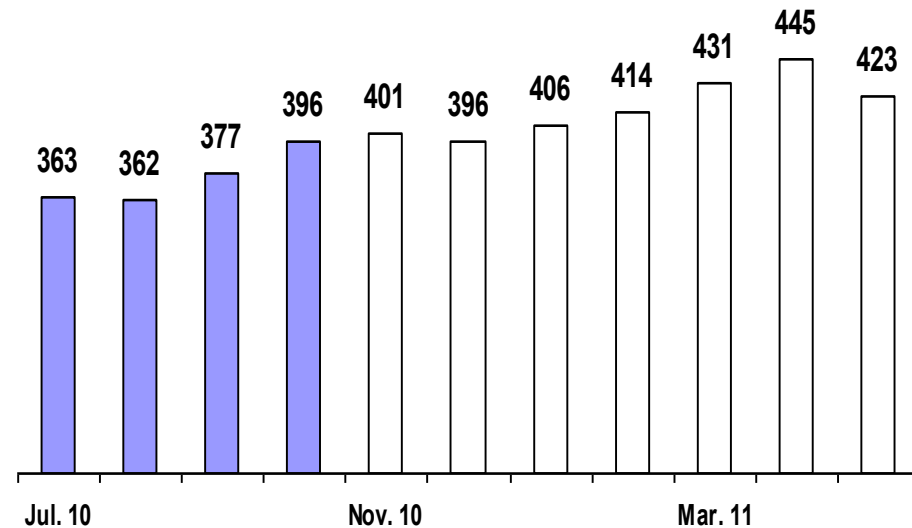
Price battles: production costs of CIS mills will grow

Russia: average production costs of slabs, \$/t*



Source: Metal Expert

Ukraine: average production costs, \$/t*

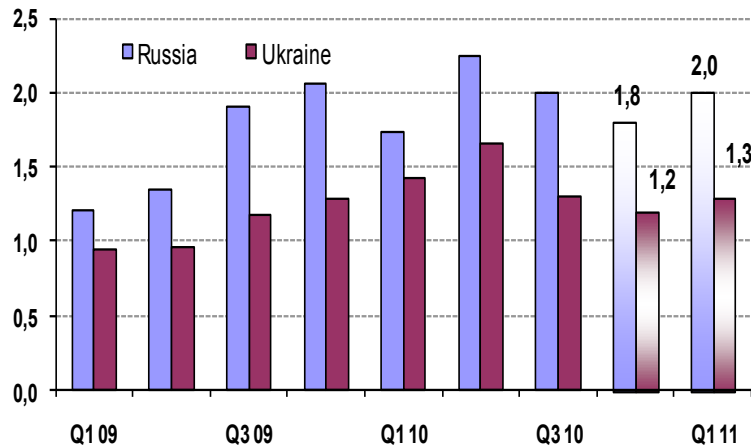


Source: Metal Expert

* - raw materials expenses

CIS are to cut export in Q4 '10, but to retrieve in Q1 '11

CIS slabs' export dynamics, MT

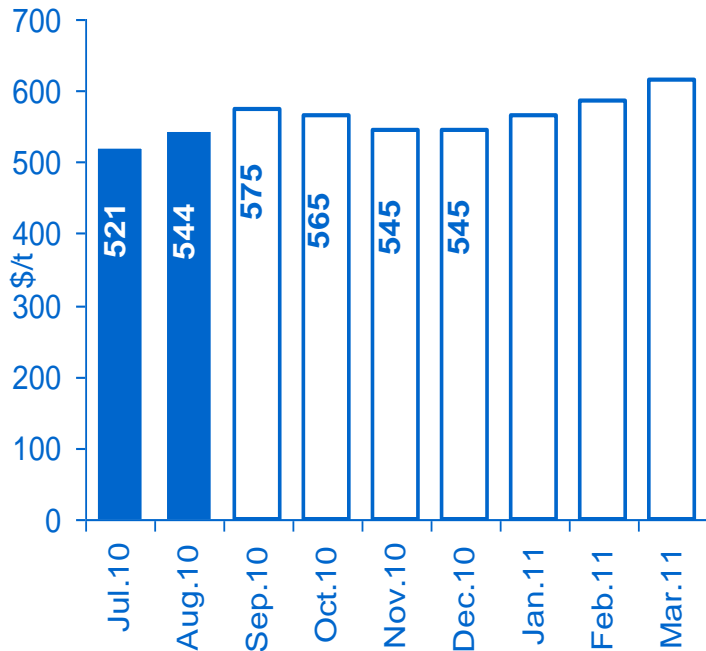


Metal Expert believe that for next two quotes market scenario will be pretty much traditional as:

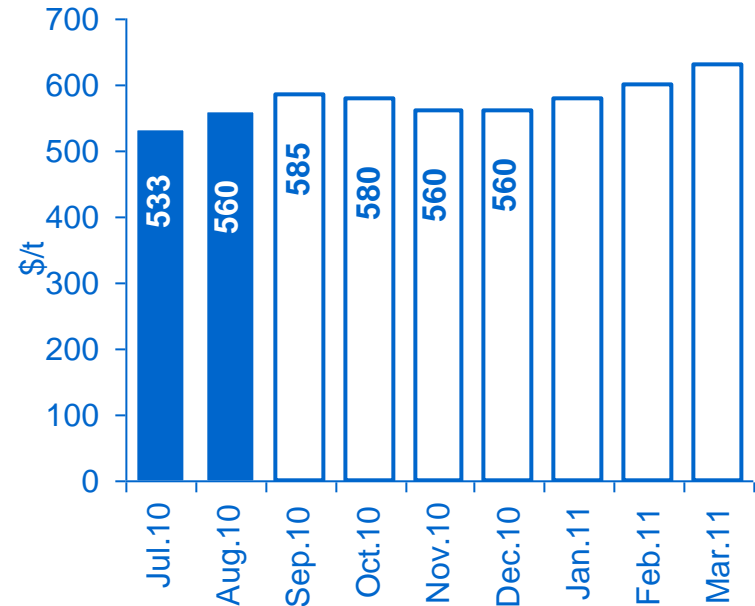
- *downturn is already seen in most of European flats' markets*
- *decrease of world contract prices for iron ore will allow to cut production expenses in Q4 '10*
- *Expectations of substantial demand improvement for Q2 will stimulate suppliers to increase prices in the beginning of Q1 11*

Weakening of flats' segment will pull slab price down

Slab prices dynamics, \$/t C&F Italy



Slab prices dynamics, \$/t C&F South East Asia



Summary:

- *Demand for slabs is already recovering and could reach pre-crisis levels in 2011 if the threats won't turn to be reality*
- *Exporters were cautious trying not to overload the market and were selling 50-60% of merchant slabs they had*
- *But in 2011 they are planning to go on with expansion projects despite the fact spontaneous offer growth is not acceptable*
- *In 2010 market was already reach it's peaks and will strengthen again only starting from Q1 2011*

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