

Price Forecasts

Steel Making Raw Materials

	Q108	Q208	Q308	Q408	2007	2008	2009	2010	2011	2012	2013
Iron ore lump Australian export (JFY) (US\$/dt)	104 9.5%	172 65%	172 66%	172 65%	104	172 65%	189 10%	170 -10%	145 -15%	123 -15%	82 -33%
Price change											
Iron ore fines Australian export (JFY) (US\$/dt)	82 9.5%	135 65%	135 65%	135 65%	82	135 65%	148 10%	133 -10%	113 -15%	96 -15%	64 -34%
Price change											
Premium hard coking coal (JFY) (USD/tonne)	94 -19%	300 134%	300 134%	300 134%	94	300 134%	255 0%	204 -17%	163 -15%	131 -20%	84 -33%
Price change											
Standard hard coking coal (JFY) (USD/tonne)	85 -19%	289 134%	289 134%	289 134%	85	289 134%	231 0%	185 -17%	148 -16%	118 -20%	79 -30%
Price change											

Figures are period average; Source: DB Global Markets Research

Global Tinplate Market Highlights

- Spot and contract pricing disparity
- Major tinplate producer to add contract surcharges
- Thai state imposes controls to curb inflation

Market Outlook

Raw material pricing issues remain at the forefront of industry concerns, as spot HR coil prices blast through tinplate contract pricing levels. As we have consistently forecast, European mills had to address the issue as Asian and US mills moved

towards quarterly pricing. ArcelorMittal is to add €150/tonne to its EU contracts and \$250/ton to its North American contracts from July 1. Japanese mills have more freedom to move and are trying to add up to \$400/tonne for third-quarter sales.

ArcelorMittal leads the way

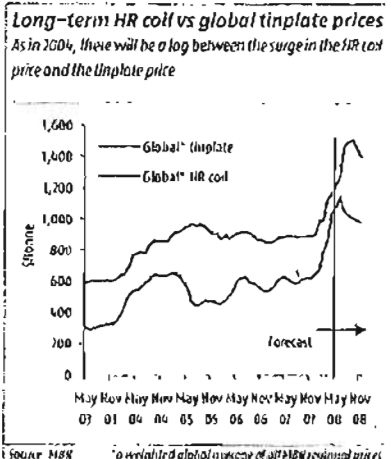
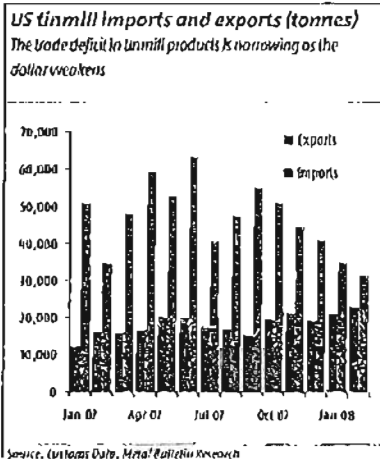
As befits the largest global tinplate producer, ArcelorMittal is leading the way in addressing the disparity between contract and spot prices and is in the process of adding a €150/tonne surcharge to its EU customers from July 1 and \$250/ton for its US customers. US Steel is following suit in the USA and we would expect that EU suppliers will follow. While consumers grumble, they are being faced by a fairly committed supply base that appears to be willing to cut output to tightness.

We have already noted that Corus is cutting 300,000 tpy output in 2008 and closing its Norwegian operation and ArcelorMittal has cut 100,000 tpy of capacity in Belgium. We also understand that ArcelorMittal is hinting that it can cut a further 300,000 tpy of output to the EU tinplate market by switching steel sales to other markets without damaging profitability. *These aggressive tactics look likely to be successful in forcing consumers to take the additional charges in Europe. In North America, the fact that US Steel and ArcelorMittal are both targeting the surcharge, and between them control the majority of supply, will assist in pushing through the increase. Moreover, with US prices lower than the rest of the world - in part due to the weak dollar, US mills have been able to improve their terms of trade this year.*

EU suppliers losing share in US market in 2008

EU shipments to US markets have dropped significantly in the first quarter of 2008. This may be related to a reduction in contract volumes from EU suppliers, following the weakening of the dollar against the euro. EU imports to the USA are down by more than 50% year-on-year in the first two months of 2008. Last year, EU suppliers accounted for 54% of US imports. This drop in US demand for EU material is a concern for EU mills as domestic demand shrinks.

US tinmill exports have been picking up slightly. There has been no single country, but a general increase in volumes supplied to both Asian and European markets as producers have taken advantage of a weak dollar and relatively low US prices. However, we do note that India is now the largest single destination for US tinmill products as it took 51,000 tonnes in 2007 compared



with 45,000 tonnes to Canada. Italy was the third largest market taking 31,000 tonnes, followed by Pakistan at 19,000 tonnes.

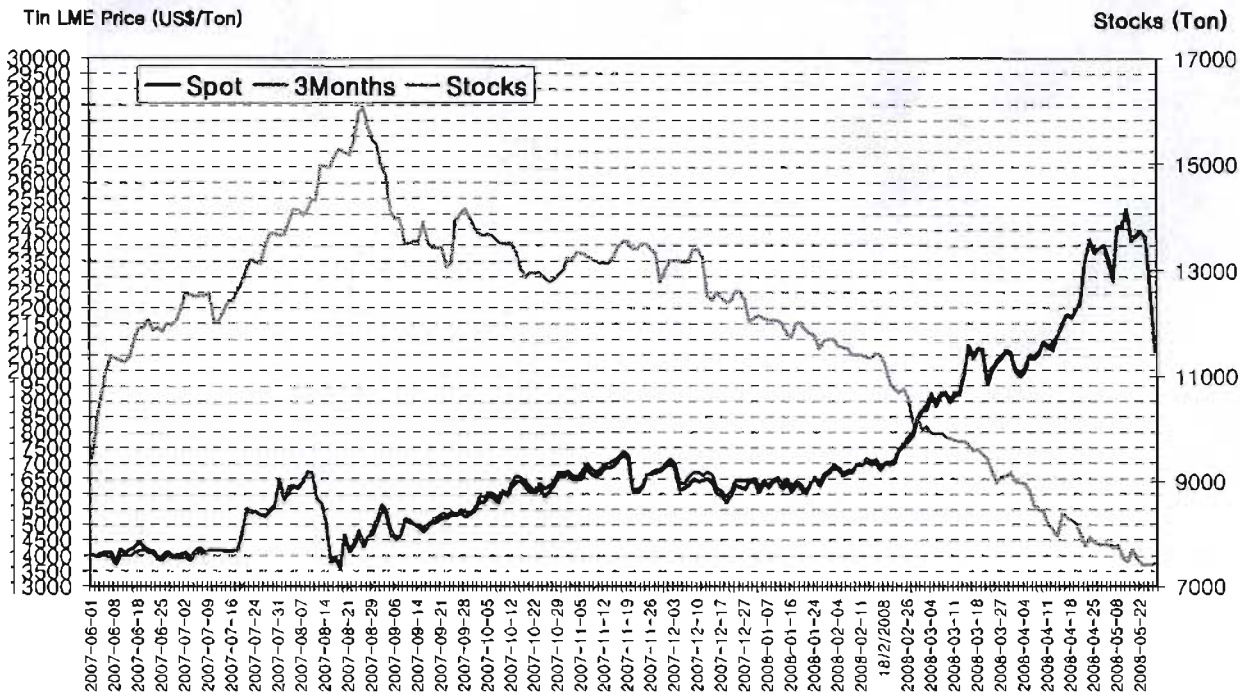
Japanese suppliers look for further hikes

Nippon Steel has already announced that it is looking for a \$400/tonne increase in its blackplate (TMBP) prices for the July-September quarter, taking them up to \$1,200/tonne fob. This follows the \$200/tonne increase in the second quarter. The Japanese mills are pointing to the increase in price for HR coil as the reason (not just iron ore and coal), arguing that as the price of HR coil is above \$1,000/tonne fob, there are alternative demands on HR coil and that TMBP buyers need to pay the increase to procure material. The Japanese will be supported by continued strong demand from China, where Baosteel continues to suffer operational difficulties on its new line, as well as strong underlying regional demand and low stocks. MBR believes that they should get most of, if not all, their targeted increase.

Thai government instigates price freeze

In an attempt to control inflation and commodity prices, the Thai government has put in place controls on domestic mills' steel prices, including tinplate. This means that the tin mills in Thailand may struggle to pass on the increased TMBP costs from their Japanese suppliers. The tin mills will be reluctant to agree price hikes with their Japanese TMBP suppliers without assurance of being able to pass on the costs, while the government is unlikely to permit a sales price increase without a firm commitment on the change in input costs, and even then may not allow the mills a full increase.

TIN LME PRICE TREND (June 1st, 2007 ~ Jun 2nd, 2008)



Latest Price	Spot	3months	Stocks
Jun 2nd, 2008	20,650	20,605	7,445

Price	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Average Cash	2008	16341.2	17219.2	19803.3	21746	24109.4	20650						

Average 3 Months	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2008	16437.6	17291.6	19858.4	21742	24084	20605						