

WORLD STEEL DYNAMICS

Inside Track #84

The steel price ROCKET SHIP

Launched in January 2008 from the
bowels of the erupting volcano!

Early Warning System

Steel's new fast times

A wild array of price-and cost-related developments have occurred in the steel industry so far in 2008: For example:

- There has been an **unprecedented surge in the steel mills' costs**. We've been witness to a) a 65% rise in the price of international iron ore; b) a probable more than doubling of the one-year international coking coal price (given the 150% rise in the spot coking coal price); c) a rise in the Chinese coke export price to above \$500 per tonne, FOB the port of export; and d) a further increase in steel scrap prices to new records, with apparently more to come. Chinese, European and Japanese steelmakers' currencies have been strong, which holds down their rise in material costs in U.S. dollar terms, but at the same time pushes up their overall costs in U.S. dollar terms (since non-raw material costs denominated in the home currency outweigh the cost of purchased raw materials). Overall, for integrated steel companies that purchase most of their raw materials at the international market price, the expected rise in the operating cost this year is more than \$150 per tonne.
- There have been **record steel price increases** on a per tonne basis in the spot markets. For example, hot-rolled band on the world export market is now in the range of \$870-900 per tonne, with the \$900 per tonne figure increasingly common, versus about \$550 per tonne at the start of the year.
- There are almost no indications that steel is in tight supply on a physical basis. In other words, the **immense price increases have not been driven by demand-pull factors in advanced world economies**. In fact, steel demand is probably down year-to-year in the USA and probably about flat in Europe and Japan. It's been a **cost-push phenomenon**, combined with currency values and the mills' pricing power, that's been the price driver. The increased concentration of the non-Chinese hot-rolled-band producing industry since 2002, combined with restricted Chinese exports, has given the steel mills the "pricing power" to pass on their costs.
- There have been **extraordinary shifts in steel product trade flows**. In 2003, China was a net steel importer of 35 million tonnes of steel semis and finished products. In May 2007, it was a net exporter of 79 million tonnes annualized. In January 2008, its net exports annualized were down to about 25 million tonnes.

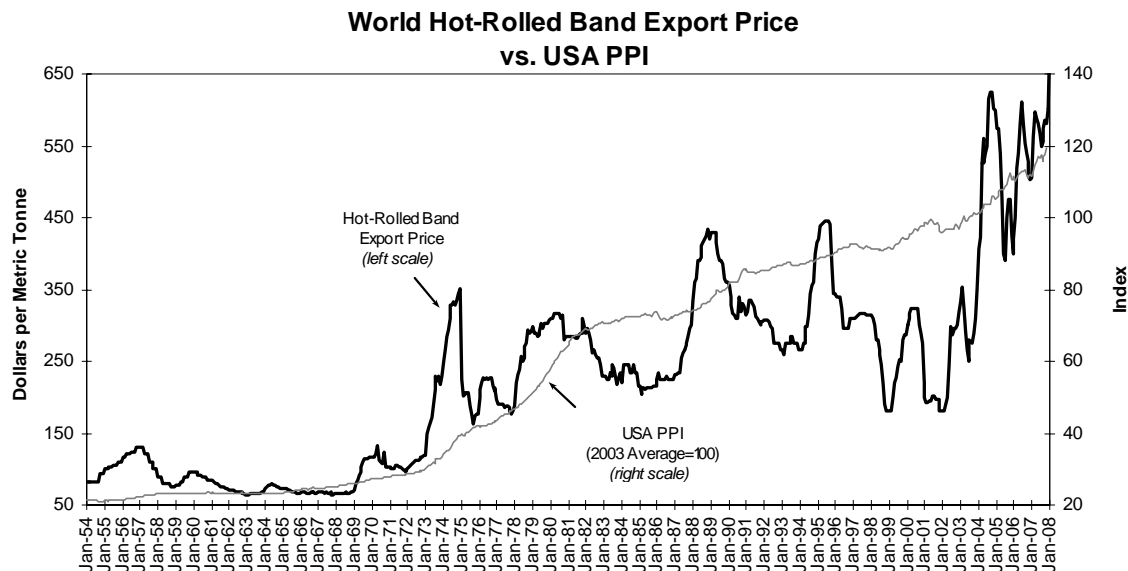
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Peter F. Marcus (201) 503-0902
Becky E. Hites (201) 503-0935

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- The steel price surge so far this year has created a **stressful financial situation for steel buyers lacking strong balance sheets**. With the spot price of steel since January, outside of China, up about \$250 per tonne and assuming that 80% of non-Chinese steel product deliveries are made on a spot price basis, spot steel price increases have driven up the purchasing of steel by about \$180 billion annually. WSD is hearing stories that some steel buyers now lack sufficient access to bank financing required to build up the steel inventory values as much as needed.
- **Steel companies are on the verge of a profit bonanza**. The price of steel, for those steel mills that self-supply their own their own sources of iron ore and coking coal, is up \$200 per tonne more than costs. WSD estimates that the non-Chinese steel industry in 2008 will:
 - Ship about 821 million tonnes versus 787 million tonnes in 2007.
 - Enjoy a rise in operating profit per tonne to \$202 per tonne from \$187 per tonne shipped.
 - Report a rise in EBITDA to \$166 billion from \$143 billion (and only \$38 billion in 2002).
 - Boost capital outlays to about \$75 billion from \$46 billion in 2007.
 - Increase its capacity to produce and ship steel by perhaps 7%.

The current environment is proof that many **steel buyers and sellers need to hedge steel price risk**. Although the precise path to getting there is far from clear, two years from now WSD expects that steel financial/futures transactions – whereby there is no physical delivery or stockpiles of steel – will be quite substantial.



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The steel rocket ship – defying gravity

WSD's "most likely" pricing scenario for hot-rolled band for the remainder of 2008:

Phase I: The hot-rolled band price rocket probably doesn't increase much from the current \$900 per tonne through the second quarter of 2008, perhaps reaching \$950 per tonne versus the low at the start of the year of about \$550 per tonne. **We place 65% odds on this scenario.**

As of mid-March 2008, the rocket ship's booster has already detached, but the rocket is still gaining altitude because of the prior upward thrust of the engines. The astronauts inside the rocket ship have lost their orientation because they are drunk; many cases of vodka having been secretly brought on board.

Factors boosting the price include: a) the rising prices for steel scrap, coking coal and coke; b) high spot iron ore prices; c) strong demand in China; d) lack of excessive steel buyer inventories in many cases; and e) marketplace psychology. The mills in a number of countries, including the USA, are limiting the availability of steel in the domestic market to what they perceive to be the real demand and, if they have a surplus, they are exporting it.

Phase II: Steel export prices head down, on a bookings basis, in the second quarter of 2008 or, if not the second, most likely in the third. Key developments include: a) a "chill" in the marketplace as steel buyers purchase ahead as little steel as possible because they fear price declines; b) the beginning of a sizable fall in hot-rolled band prices in China as oversupply pressures become evident (in part because exports remain constrained) and are moderately exacerbated by some cutback in activity levels in steel consuming industries due to the Olympics); c) a decline in spot iron ore prices on the world market due to reduced deliveries to China; and d) growing evidence that steel demand in Advanced Countries in 2008 may be lower than in 2007. The price of hot-rolled band on the world export market by late-summer may decline to \$650-700 per tonne. **We place 75% odds that the hot-rolled band price bottoms out at a relatively high level** – in good part because the steel mills may be fairly fast in cutting back production.

The astronauts inside the rocket ship are awakened by vibrations and higher temperatures because the ship is starting to burn up as it descends into the thicker atmosphere.

The sooner the downturn occurs, the greater the likelihood that it will be less severe and extended because there will have been less time for global steel production to rise to excessive levels and less time for steel buyers to accumulate excessive inventories.

Phase III: Steel prices in the fourth quarter of 2008 show signs of rallying once more. The driving forces include: a) still-restrained Chinese steel exports; b) signs of

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an improving steel demand outlook outside of China; c) relatively low steel buyer inventories; and d) some recovery of steel scrap prices, which have plummeted. However, we don't see any rally in spot iron ore or coking coal prices, unless they are already down sharply, or a rise in ocean freight rates. **We place 60% odds on this scenario granted that Scenarios I and II occur.**

The astronauts have poured the remaining vodka – a special 50 proof brand – into the fuel tanks and they are steering the rocket ship upwards on a new uncharted course.

WSD puts the odds at 45% that the HRB world export price starts to decline by May.

Potential Timing of Price Downturn	Odds that HRB Prices Start to Decline by Month	Potential Contributing Events
March	5%	Tight credit limits financing for steel traders.
April	20%	Buyers sit on their hands due to sticker shock.
May	45%	Dollar strengthens versus the Euro.
June	50%	Lower ocean freight rates result in more movement of steel between countries.
July	55%	Lower spot prices for iron ore, coking coal and metallurgical coke on the world market.
August	65%	Lower prices for steel scrap.
September	75%	Global economic slowdown results in lower non-Chinese steel demand.
October	80%	Too sizable a rise in global steel production.
November	85%	Cost of metallics drops further.
December	90%	Seasonal slowdown.

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Have Hot-Rolled Band Prices Increased Too Much?

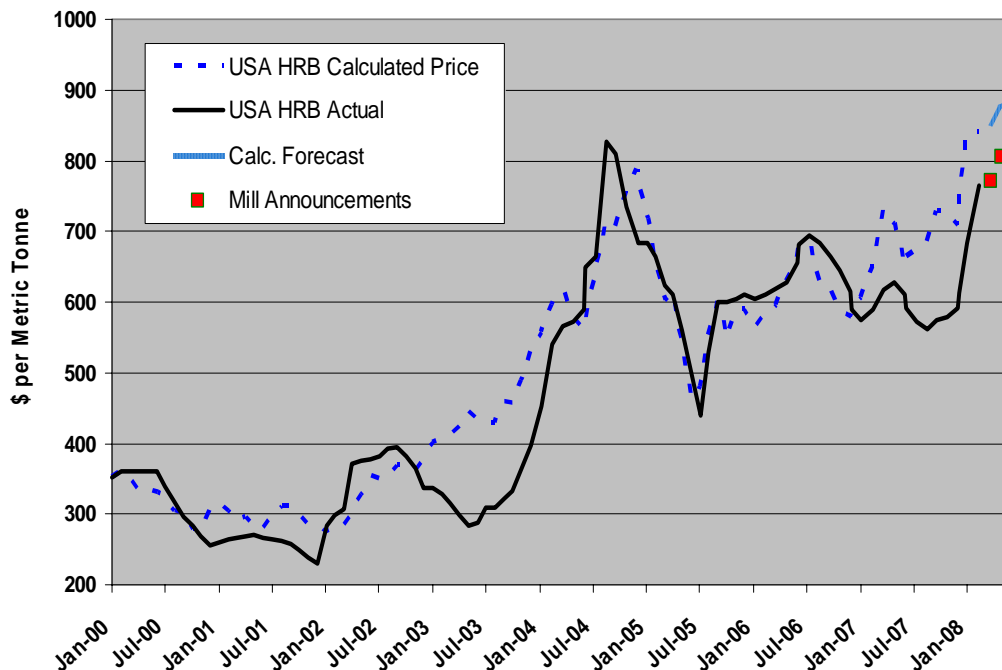
Pat McCormick's focus at WSD is on the buyer-seller interface. One aspect of this work is to understand market price drivers. This work allows WSD to provide our clients with assessments of market price trends and to provide our Stratagem clients with detailed strategies for managing their forward price risk.

*A frequently asked question today from steel buyers is:
"Have hot-rolled band prices increased too much?"*

WSD's proprietary pricing tool was used to analyze the recent USA hot-rolled band price explosion. Our findings are that the price explosion is in line with calculated market prices. Changes in two key market price drivers (the value of the US dollar and ferrous scrap) account for the rapid price ascent. One compounding factor that has made the price rise more explosive is that prices were undervalued in 2007. A massive steel distribution inventory reduction helped to push USA market prices below the calculated 2007 market values.

The chart shown below has been updated with actual market and calculated prices through February. Mill price announcements for March thru May have been added to the chart along with a calculated price using estimates for currency values and scrap. AK Steel's May price announcement of \$800 per short ton, or \$882 per metric tonne, is in line with the calculated market price based on the assumptions of 1.53 - 1.54 dollars per Euro and \$440 - 450/GT Chicago Busheling. As of March 11th, these values were 1.54 dollars per Euro and \$430/GT for Chicago busheling.

**WSD Price Driver Analysis
USA Hot Rolled Band Spot Market Prices**



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Steel prices: Pushing or pulling?

According to the economics text books, there are two drivers of price increases: cost push and demand pull. We think that in steel at present there is another phenomenon at work, which we would call "price pull". The steel price is so high – as are the profits – that the mills can bid up the price for key raw materials, such as steel scrap, to lofty levels because this still adds to their profits.

In 2009, might the future be a steel demand-pull environment outside of China? Perhaps. Assuming continued Chinese export restrictions and a 5% or more rise in non-Chinese apparent steel demand, the supply/demand balance for the non-Chinese steel industry in 2009 could be tight.

Capital Outlays and Capacity Changes for Global Steel (2006-2008)

Item	China			Rest of World		
	2006	2007	2008e	2006	2007	2008e
Chinese RMB per \$ (average)	8.0	7.6	6.8			
REQUIRED CAPITAL OUTLAYS TO SUSTAIN CAPACITY						
Maintenance per tonne	\$5	\$6	\$8	\$10	\$11	\$13
Air and water pollution abatement per tonne	4	5	6	5	7	8
Cost reduction efforts per tonne	4	5	6	5	6	8
Product quality enhancement per tonne	4	5	6	10	11	13
TOTAL PER TONNE	\$17	\$21	\$26	\$30	\$35	\$42
Crude steel produced (million tonnes)	423	489	514	827	855	884
Steel product shipments (million tonnes)	389	450	473	761	786	813
Total capital outlay on steel (\$ billions)	\$28.8	\$32.4	\$33.1	\$55.0	\$65.0	\$80.0
Capital outlay needed to sustain capacity (\$ billions)	6.6	9.4	12.3	22.8	27.5	34.1
Capital outlays for expansion (\$ billions)	\$22.2	\$22.9	\$20.8	\$32.2	\$37.5	\$45.9
Capital cost/tonne for "greenfield" expansions	\$750	\$800	\$850	\$1,500	\$1,600	\$1,700
Capital cost/tonne for "brownfield" (round-out) expansions	200	225	250	450	500	550
Percent of greenfield expansions	20%	20%	20%	10%	12%	15%
Derived capital cost per tonne for capacity expansions	\$310	\$340	\$370	\$555	\$632	\$723
Steel product shipment capacity at the start of the year (million tonnes)	370	442	509	791	849	908
Derived net increase in capacity (million tonnes)	71.6	67.4	56.3	58.0	59.3	63.5
Percent increase in capacity as a percent of prior year's production	19.3%	15.3%	11.1%	7.3%	7.0%	7.0%

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Key indicators to watch and WSD's expectation

A variety of indicators or, one might say, the combination of a variety of informational tidbits, will be providing us with clues about the next trends in steel prices.

- **Hot-rolled band spot prices on the world export market.** The current price appears to be \$850-900 per tonne, FOB the port of export, with one EU mill we hear at \$940 per tonne. Chinese mills are at \$870-880 per tonne says a contact. Russian mills have yet to announce their export price for May, but traders expect \$880-900 per tonne versus \$830 per tonne a few weeks ago.
- **Chinese home-market steel prices.** These are up sharply so far this year. Hot-rolled band, ex-works, in mid-March is about \$630 per tonne versus \$539 per tonne at the start of the year and the low of \$402 per tonne in July 2007. *(Note: WSD thinks that an oversupply of hot-rolled band in China will develop by mid-2008; hence, if exports are constrained and the world export price drops, so will the prices in China.)*
- **Steel slab price.** Leading mills appear to be seeking at least \$750 per tonne, says a contact. We hear “stories” that some mills are now seeking \$800 per tonne FOB the port of export.
- **Hot-rolled band in other home markets.** We're told that a EU mill is now seeking 650 Euros per tonne, including standard extras, FOB its plant. At 1.54 Euros per dollar, this is \$1,000 per tonne.
- **Chinese economic data.** The latest inflation rate at 8.7% for the CPI in February 2008 year-to-year (including a 23% increase in food prices, a 1% drop in clothing prices and a 6.6% rise in industrial products) will surely cause the Central Government to further tighten lending conditions. The plummeting trade surplus in February, down to \$103 billion annualized from \$284 billion annualized in February 2007, is demonstrating the impact of the stronger RMB (now at 7.10 per US dollar versus 7.7 a year ago) and the slower growing USA and EU economies. *(Note: China's annualized GDP in February 2008 at \$3.2 billion was up 22% from the February 2007 annualized figure at \$2.6 billion. The trade surplus for February 2008 was just 3% of GDP, down from 11% in February 2007.)*

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China Trade Balance and Fixed Asset Investment versus GDP

	2000	2004	2005	2006	2007	2008e	Annualized Feb-07	Feb-08
GDP-\$ billions	1,184	1,928	2,248	2,656	3,252	4,182	2,598	3,177
China fixed asset investment-\$ billions	398	852	1,085	1,382	1,810	2,393		
% of GDP	34%	44%	48%	52%	56%	57%		
China trade-\$ billions								
Imports all products	225	561	660	791	956	1,004	700	946
Exports all products	249	593	762	969	1,218	1,157	984	1,048
Trade surplus (deficit)	24	32	102	178	262	153	284	103
% of GDP	2%	2%	5%	7%	8%	4%	11%	3%
Year over year change								
GDP			17%	18%	22%	29%		18%
FAI			27%	27%	31%	32%		
Imports all products			18%	20%	21%	5%		35%
Exports all products			28%	27%	26%	-5%		7%
Exchange rate-RMB per \$	8.28	8.28	8.18	7.96	7.58	6.77	7.74	7.11

Note: FAI and GDP are before any inflation adjustment

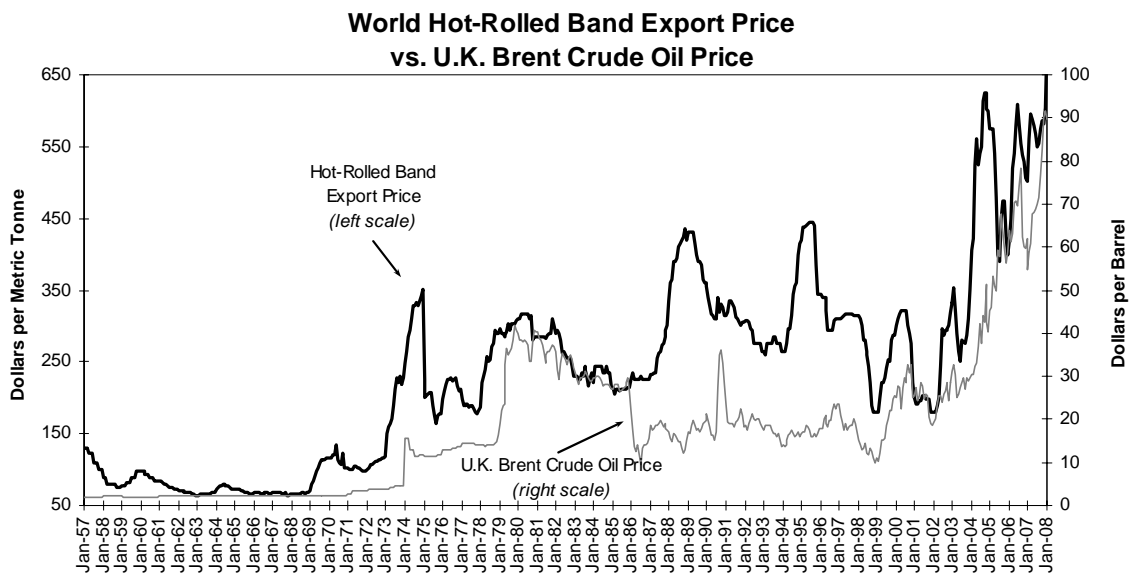
Note: FAI is overstated since it includes, among other things, investment in real estate. It excludes inventory swings.

Source: People's Bank of China, Bloomberg and WSD estimates

- Inflation rates.** This is a critical indicator and might get worse due to the rise in oil and commodity prices – including steel prices up about 40% so far this year – before it gets better. Oil, natural gas and coal prices appear to account for about 13% of global GDP versus about 1.7% for steel products and perhaps 2.5% for all metal products.
- Galvanized steel sheet prices.** These prices have strengthened sharply on the world market, in the USA and in Western Europe in the past month after being quite sluggish late last year. Perhaps these prices may head back down prior to those for hot-rolled band. The world export price appears to be about \$1,100 per tonne, FOB the port of export, with the USA price for May at about \$1,000 per metric tonne says a contact.
- Global steel production.** While Chinese output has been stagnant for about a year, non-Chinese output jumped up on a seasonally-adjusted basis in December 2007 and January 2008. With the Chinese government sure to prevent any sizable rise in the Chinese mills' exports, we expect Chinese steel production to be stagnant or rise only modestly in the months ahead.
- Steel marketplace psychological war.** Buyers have no ability to resist price increases; their only option is to not buy. The pendulum has swung so far to the favor of the mills that, even when it swings back, it may take several months for the buyers to realize they no longer are losing the war.

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- **USA prices.** Several integrated mills are now seeking \$800 per net ton for hot-rolled band, FOB the steel plant, in May versus about \$730 per ton in April and \$510 per ton for delivery last September. Steel demand remains sluggish, with the mills happy to export their surpluses. USA mills are now supposedly seeking \$880-905 per metric tonne, FOB the port of export, when exporting.
- **Steel scrap prices** (and the price of the other steelmakers' metallics). These currently seem to be heading up another \$50-75 per tonne reflecting good demand, the weaker dollar and what one might call "price pull" – which means that the price of steel products is currently so high that the mills can pay far more for scrap and still add to their profits.
- **Oil prices.** A critical item. Let's hope that with inventories of oil higher, the price will fall from the current level of about \$105 per barrel.



- **Currency rates.** As noted earlier, we expect the U.S. dollar to only weaken further versus the Chinese RMB.
- **Spot prices for iron ore.** We expect a significant drop in the international spot iron ore price by the summer due to the combination of a) moderately rising Chinese steel production; b) recent excessive deliveries to China as buyers bought ahead to beat price increases and c) surging iron ore production in China. If we take the most recent annualized iron ore import rate of 440 million tonnes and add the most recent production rate of concentrate in China of 405 million tonnes, we derive an apparent supply in January 2008 at 845 million tonnes versus the need for iron ore in 2008 of 768 million tonnes. WSD estimates an imported iron ore requirement in 2008 at just 360 million tonnes (see the accompanying table).

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- **Spot prices for coking coal.** The peak price of USA coking coal delivered to Japan a few weeks ago was \$325 per tonne, says a contact, which works out after transport costs to about \$200 per tonne, FOB the USA coal mine. The current price delivered to Japan may be about \$270 per tonne. Those in the coking coal export industry now expect the one-year Australian price, FOB the port of export, to rise to about \$240-250 per tonne for 2008 versus \$88-98 per tonne in 2007. Steel production in Japan, some think, is being cut moderately as two of the smaller mills seek to conserve their inventories of coke.
- **Financing of steel inventory.** We hear that virtually no steel buyers are seeking to build inventory because of the high price. We also hear that some buyers with weaker balance sheets are finding it more difficult to obtain borrowed funds due to tightening credit conditions.
- **The Chinese coke export price.** At \$500+ per tonne, FOB the port of China, it is far above the home price delivered to steel mills at about \$305 per tonne, due to the combination of the limitation of steel export licenses (at 1.6 million tonnes per year) and the 25% export tax.
- **Ocean freight rates.** Rates have risen from recent lows, but they may peak out and drop because of the sizable rise in the delivery of new Capesize vessels. (*Note: Capesize freight rates are often 1.8-2.2 times those for Panamax vessels, and the Panamax freight rate ratio is 1.2 times that for the Handymax vessels*). We expect that freight rates may decline during the remainder of 2008. High ocean freight rates have regionalized the world steel export market and have protected home-market prices in many cases.

If WSD is correct, HRB export prices will probably peak by or before early summer, fall by about \$200-250 per tonne and start to recover this fall. When the recovery begins, we expect only steel scrap and other steelmakers' metallica prices to participate in the rally because they also will have declined. For other raw materials and ocean freight, we think current prices are sufficient to bring out enough additional supply by this fall to prevent renewed price increases; for example, we think this will be the case for freight rates, coking coal, iron ore and coke.

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China's Iron Ore Demand and Supply Balance

(million tonnes)

	2000	2001	2002	2003	2004	2005	2006	2007	Feb-08 annualized	2008E	2009E	2010E
Crude steel production	129	151	182	222	273	356	423	489	na	517	550	575
Pig iron production	131	156	171	203	252	330	404	469	na	492	525	550
Demand for dressed ore (1.55 * pig iron)	203	242	265	315	391	512	626	732	na	768	819	858
Domestic iron ore production												
Small iron mine output (WSD estimate)	50	85	80	80	85	85	105	120	120	100	80	80
Preliminary report iron ore output	222	218	230	258	290	397	574	707	na	750	770	789
Final reported iron ore output	223	217	232	263	311	420	588	707	na	795	800	800
Un-reported iron ore output	43	83	76	87	81	68	18	3		36	97	158
Total crude iron ore output	266	300	308	350	392	488	606	710	730	831	897	958
Fe content analysis												
Reported ore	32.0%	32.0%	32.0%	32.0%	31.9%	31.8%	31.5%	31.3%	31.3%	31.2%	31.0%	30.9%
Unreported ore	30.5%	31.1%	31.0%	31.0%	31.2%	31.4%	31.0%	31.6%	31.3%	31.4%	31.1%	30.9%
Average calculated Fe content	31.8%	31.8%	31.8%	31.8%	31.8%	31.8%	31.4%	31.3%	31.3%	31.2%	31.0%	30.9%
Fe content required for blast furnace	63.5%	63.5%	63.5%	63.5%	63.5%	63.5%	63.5%	63.5%	63.5%	63.5%	63.5%	63.5%
Dressed ore output ⁽¹⁾												
Y-to-Y %		12.8%	2.7%	13.6%	12.0%	24.5%	22.9%	16.3%		17.5%	7.9%	6.8%
Ratio of crude ore / dressed ore	2.00	2.00	2.00	2.00	2.00	2.00	2.02	2.03	2.03	2.03	2.03	2.03
Imported iron ore												
Ports inventory change	0	0	1	8	13	6	0	0	0	0	0	0
Imported iron ore requirement	70	92	112	148	208	274	326	383	458	358	370	386
Y-to-Y %		31.0%	22.1%	31.8%	40.6%	31.7%	19.3%	17.4%	19.6%	-6.5%	3.4%	4.3%
Investment in iron ore mining												
Bil RMB	na	0.6	0.8	5.0	13.3	28.2	35.7	41.8	42	38.4	38.4	38.4
Bil US\$	na	0.1	0.1	0.6	1.6	3.5	4.6	5.8	5.9	5.9	6.2	6.4
RMB per \$		8.28	8.28	8.28	8.28	8.1	7.8	7.2	7.1	6.5	6.2	6
Crude steel production												
exports (crude steel basis)	10	8	7	8	20	28	55	75	39	60	55	50
imports (crude steel basis)	22	27	29	46	35	30	20	19	16	17	14	11
net imports (crude steel basis)	12	19	22	38	15	2	-35	-56	-23	-43	-41	-39
Domestic crude steel apparent demand												
Y-to-Y %		20.6%	20.0%	27.5%	10.8%	24.3%	8.4%	11.6%	10.9%	9.5%	7.4%	5.3%

⁽¹⁾ Dressed ore is upgraded iron ore (concentrate).

Source: WSD estimates

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Improved long-term steel demand outlook?

The evidence seems to be growing that, as long as inflation remains moderate (i.e., the current surge ends this year), the longer-term steel demand outlook is much improved versus the period from 1974 to 1999 (when it was suppressed in part by a massive decline in demand in the former Soviet Union).

As indicated in the table below, there have been alternating extended periods of sizeable steel production growth and only slight steel production growth. WSD suspects that the periods of sizable production growth occurred when fixed asset investment was rising as a share of GDP.

As indicated by World Bank data, there has been a substantial rise in the ratio of investment to GDP in the world since 2002. The reasons are, first, a much higher ratio of investment to GDP in the Developing World than in Advanced Countries; and, second, Developing World GDP, on a purchasing power parity (PPP) basis, now accounts for about one-half of global GDP. These relationships, and other facts, are imbedded in WSD's *Global Income-Shift Paradigm* views, about which we will be publishing much more in the months ahead.

Given that steel production rose 6.9% per year from 1999 to 2007 and that it grows 4% per year from 2007 to 2020, by 2020 global steel output would be 2,221 million tonnes – for a growth rate of 5.1% per annum from 1999 to 2020.

Extended Growth and Non-Growth Periods for Global Steel Demand

Time period	Production		Growth per year Compounded	Duration
	Start	End		
-- mill.tonnes --				
1900-1929	28	119	5.1%	29 years
1929-1946	119	108	-0.6%	17 years
1946-1974	108	707	6.9%	28 years
1974-1999	707	789	0.4%	25 years
1999-2007	789	1,344	6.9%	8 years
1999-2020E	789	2,221	5.1%	21 years
2007-2020E	1,334	2,221	4.0%	13 years

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China Hot-Rolled Band Equivalent ASC and Related Items

(million tonnes, except percent)

Item	Crude Steel Production	HRB _{EQ} Product Output	Ratio: HRB _{EQ} to Crude	HRB _{EQ} Imports	HRB _{EQ} Exports	Apparent Steel Consumption	Net Imports	Net Imports vs. ASC	ASC Y-to-Y Change
CHINA									
2000	128.5	37.0	29%	12.7	2.5	47.1	10.1	21.5%	14.6%
2001	151.6	41.4	27%	13.1	1.5	53.0	11.6	21.8%	12.4%
2002	182.2	52.1	29%	18.9	1.6	69.4	17.3	25.0%	31.1%
2003	222.4	66.3	30%	28.5	2.1	92.7	26.4	28.4%	33.5%
2004	280.5	82.1	29%	21.3	5.6	97.8	15.7	16.0%	5.5%
2005	355.8	114.2	32%	19.9	7.4	126.7	12.5	9.9%	29.6%
2006	422.7	160.2	38%	13.0	17.1	156.1	(4.1)	-2.7%	23.2%
2007	489.0	193.6	40%	11.6	23.3	181.9	(11.7)	-6.4%	16.5%
Jan-08	482.8	203.9	42%	11.8	19.2	196.5	(7.4)	-3.8%	
2008E	513.9	203.9	40%	11.8	19.2	196.5	(7.4)	-3.8%	8.0%

All but China Hot-Rolled Band Equivalent ASC and Related Items

(million tonnes, except percent)

Item	Crude Steel Production	HRB _{EQ} Product Output	Ratio: HRB _{EQ} to Crude	HRB _{EQ} Imports	HRB _{EQ} Exports	Apparent Steel Consumption	Net Imports	Net Imports vs. ASC	ASC Y-to-Y Change
All but China									
2000	720.4	377.5	52%	104.4	114.5	367.3	(10.1)	-2.8%	9.4%
2001	699.5	359.7	51%	94.6	106.2	348.2	(11.6)	-3.3%	-5.2%
2002	721.7	378.1	52%	100.2	117.5	360.7	(17.3)	-4.8%	3.6%
2003	747.1	394.3	53%	96.3	122.7	368.0	(26.4)	-7.2%	2.0%
2004	788.2	416.2	53%	110.9	126.6	400.5	(15.7)	-3.9%	8.8%
2005	790.2	410.8	52%	113.6	126.1	398.3	(12.5)	-3.1%	-0.6%
2006	827.4	429.7	52%	137.1	132.9	433.9	4.1	1.0%	8.9%
2007	854.6	440.5	52%	143.7	132.1	452.2	11.7	2.6%	4.2%
Jan-08	898.4	454.2	51%	143.7	136.3	461.6	7.4	1.6%	
2008E	883.5	454.2	51%	143.6	136.2	461.6	7.4	1.6%	2.1%

World Hot-Rolled Band Equivalent ASC and Related Items

(million tonnes, except percent)

Item	Crude Steel Production	HRB _{EQ} Product Output	Ratio: HRB _{EQ} to Crude	HRB _{EQ} Imports	HRB _{EQ} Exports	Apparent Steel Consumption	Net Imports	Net Imports vs. ASC	ASC Y-to-Y Change
2000	848.9	414.5	49%	117.0	117.0	414.5			10.0%
2001	851.1	401.2	47%	107.7	107.7	401.2			-3.2%
2002	903.9	430.2	48%	119.1	119.1	430.2			7.2%
2003	969.5	460.7	48%	124.8	124.8	460.7			7.1%
2004	1,068.7	498.3	47%	132.3	132.3	498.3			8.2%
2005	1,146.0	525.0	46%	133.5	133.5	525.0			5.4%
2006	1,250.1	589.9	47%	150.0	150.0	589.9			12.4%
2007	1,343.6	634.1	47%	155.3	155.3	634.1			7.5%
Jan-08	1,381.2	658.1	48%	155.5	155.5	658.1			
2008E	1,397.4	658.1	47%	155.3	155.3	658.1			3.8%

WORLDSTEELDYNAMICS

China Long Product Equivalent ASC and Related Items

(million tonnes, except percent)

Item	Crude Steel Production	LP _{EQ} Product Output	Ratio: LP _{EQ} to Crude	LP _{EQ} Imports	LP _{EQ} Exports	Apparent Steel Consumption	Net Imports	Net Imports vs. ASC	ASC Y-to-Y Change
CHINA									
2000	128.5	72.5	56%	1.8	3.0	71.3	(1.2)	-1.7%	-5.7%
2001	151.6	93.0	61%	2.3	2.4	92.9	(0.1)	-0.1%	30.4%
2002	182.2	102.7	56%	3.3	2.8	103.2	0.5	0.5%	11.1%
2003	222.4	117.7	53%	6.1	3.7	120.1	2.4	2.0%	16.3%
2004	280.5	133.8	48%	5.4	7.0	132.2	(1.6)	-1.2%	10.1%
2005	355.8	197.7	56%	3.8	10.6	190.9	(6.8)	-3.6%	44.4%
2006	422.7	227.6	54%	3.4	22.3	208.8	(18.9)	-9.0%	9.3%
2007	489.0	261.8	54%	3.5	38.4	226.9	(34.9)	-15.4%	8.7%
Jan-08	482.8	274.4	57%	3.5	35.3	242.6	(31.8)	-13.1%	
2008E	513.9	274.4	53%	3.5	27.1	250.8	(23.6)	-9.4%	10.5%

All but China Long Product Equivalent ASC and Related Items

(million tonnes, except percent)

Item	Crude Steel Production	LP _{EQ} Product Output	Ratio: LP _{EQ} to Crude	LP _{EQ} Imports	LP _{EQ} Exports	Apparent Steel Consumption	Net Imports	Net Imports vs. ASC	ASC Y-to-Y Change
All but China									
2000	720.4	297.8	41%	59.8	58.6	299.1	1.2	0.4%	8.2%
2001	699.5	293.0	42%	60.5	60.4	293.1	0.1	0.0%	-2.0%
2002	721.7	303.0	42%	60.7	61.2	302.5	(0.5)	-0.2%	3.2%
2003	747.1	317.2	42%	62.9	65.3	314.8	(2.4)	-0.8%	4.1%
2004	788.2	329.7	42%	70.7	69.1	331.2	1.6	0.5%	5.2%
2005	790.2	331.8	42%	77.1	70.3	338.6	6.8	2.0%	2.2%
2006	827.4	338.9	41%	93.3	74.4	357.8	18.9	5.3%	5.7%
2007	854.6	346.5	41%	113.9	79.0	381.5	34.9	9.2%	6.6%
Jan-08	898.4	367.0	41%	102.7	79.1	390.6	23.6	6.0%	
2008E	883.5	367.0	42%	102.7	79.1	390.6	23.6	6.0%	2.4%

World Long Product Equivalent ASC and Related Items

(million tonnes, except percent)

Item	Crude Steel Production	LP _{EQ} Product Output	Ratio: LP _{EQ} to Crude	LP _{EQ} Imports	LP _{EQ} Exports	Apparent Steel Consumption	Net Imports	Net Imports vs. ASC	ASC Y-to-Y Change
2000	848.9	370.3	44%	61.6	61.6	370.3			5.2%
2001	851.1	386.1	45%	62.8	62.8	386.1			4.2%
2002	903.9	405.7	45%	64.0	64.0	405.7			5.1%
2003	969.5	434.9	45%	69.0	69.0	434.9			7.2%
2004	1,068.7	463.4	43%	76.1	76.1	463.4			6.6%
2005	1,146.0	529.5	46%	80.9	80.9	529.5			14.3%
2006	1,250.1	566.5	45%	96.7	96.7	566.5			7.0%
2007	1,343.6	608.4	45%	117.4	117.4	608.4			7.4%
Jan-08	1,381.2	641.4	46%	106.2	114.4	633.2			
2008E	1,397.4	641.4	46%	106.2	106.2	641.4			5.4%

WORLDSTEELDYNAMICS

China HRB_{EQ} & LP_{EQ} ASC and Related Items

(million tonnes, except percent)

Item	Production		Ratio: Pig to Steel	Product Output	Ratio: Output to Crude	Imports	Exports	ASC	Net Imports	Net Imports vs. ASC	ASC Y-to-Y Change
	Pig	Crude Steel									
CHINA											
2000	131.3	128.5	1.02	109.5	85.2%	14.4	5.5	118.4	8.9	7.5%	1.5%
2001	147.3	151.6	0.97	134.4	88.7%	15.4	3.9	145.9	11.5	7.9%	23.2%
2002	171.0	182.2	0.94	154.8	85.0%	22.2	4.4	172.7	17.8	10.3%	18.3%
2003	201.1	222.4	0.90	184.0	82.7%	34.5	5.8	212.8	28.7	13.5%	23.2%
2004	260.9	280.5	0.93	215.9	77.0%	26.7	12.6	230.0	14.1	6.1%	8.1%
2005	330.9	355.8	0.92	312.0	87.7%	23.7	18.0	317.7	5.7	1.8%	38.1%
2006	388.8	422.7	0.92	387.8	91.8%	16.4	39.4	364.8	(23.0)	-6.3%	14.9%
2007	449.9	489.0	0.92	455.4	93.1%	15.1	61.7	408.8	(46.6)	-11.4%	12.0%
Jan-08	449.0	482.8	0.93	478.3	99.1%	15.3	54.4	439.1	(39.2)	-8.9%	
2008E	483.6	513.9	0.94	478.3	93.1%	15.3	46.3	447.3	(31.0)	-6.9%	9.4%

All but China HRB_{EQ} & LP_{EQ} ASC and Related Items

(million tonnes, except percent)

Item	Production		Ratio: Pig to Steel	Product Output	Ratio: Output to Crude	Imports	Exports	ASC	Net Imports	Net Imports vs. ASC	ASC Y-to-Y Change
	Pig	Crude Steel									
All but China											
2000	445.1	720.4	0.62	675.3	93.7%	164.1	173.1	666.4	(8.9)	-1.3%	8.8%
2001	430.5	699.5	0.62	652.8	93.3%	155.1	166.6	641.3	(11.5)	-1.8%	-3.8%
2002	437.8	721.7	0.61	681.1	94.4%	160.9	178.7	663.2	(17.8)	-2.7%	3.4%
2003	451.5	747.1	0.60	711.5	95.2%	159.3	188.0	682.8	(28.7)	-4.2%	2.9%
2004	827.6	788.2	1.05	723.0	91.7%	181.6	195.7	731.7	(14.1)	-1.9%	7.2%
2005	829.7	790.2	1.05	742.6	94.0%	190.7	196.4	736.9	(5.7)	-0.8%	0.7%
2006	868.7	827.4	1.05	768.6	92.9%	230.3	207.3	791.6	23.0	2.9%	7.4%
2007	897.3	854.6	1.05	787.1	92.1%	257.7	211.0	833.7	46.6	5.6%	5.3%
Jan-08	943.3	898.4	1.05	821.2	91.4%	246.4	215.4	852.2	31.0	3.6%	
2008E	927.6	883.5	1.05	821.2	92.9%	246.3	215.3	852.2	31.0	3.6%	2.2%

World HRB_{EQ} & LP_{EQ} ASC and Related Items

(million tonnes, except percent)

Item	Production		Ratio: Pig to Steel	Product Output	Ratio: Output to Crude	Imports	Exports	ASC	Net Imports	Net Imports vs. ASC	ASC Y-to-Y Change
	Pig	Crude Steel									
2000	576.4	798.8	0.68	784.8	92.4%	178.6	178.6	784.8			7.7%
2001	577.8	798.8	0.68	787.2	92.5%	170.5	170.5	787.2			0.3%
2002	608.8	798.8	0.67	835.9	92.5%	183.1	183.1	835.9			6.2%
2003	652.5	798.8	0.67	895.6	92.4%	193.8	193.8	895.6			7.1%
2004	1,088.4	798.8	1.02	961.7	90.0%	208.3	208.3	961.7			7.4%
2005	1,160.6	798.8	1.01	1,054.5	92.0%	214.4	214.4	1,054.5			9.7%
2006	1,257.5	798.8	1.01	1,156.5	92.5%	246.7	246.7	1,156.5			9.7%
2007	1,347.2	1,343.6	1.00	1,242.5	92.5%	272.7	272.7	1,242.5			7.4%
Jan-08	1,392.3	1,381.2	1.01	1,299.5	94.1%	261.7	269.9	1,291.3			
2008E	1,411.2	1,397.4	1.01	1,299.5	93.0%	261.6	261.6	1,299.5			4.6%

WORLDSTEELDYNAMICS

WSD CHINESE FINANCIAL DYNAMICS (YEAR ENDED DECEMBER 31)

	<u>1995</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008E</u>
WSD FINANCIAL DYNAMICS										
CHINESE STEEL INDUSTRY (MILLION OF TONNES)										
WORLD STEEL PRODUCTION	752.20	848.94	851.12	903.93	969.53	1068.69	1146.01	1250.06	1343.65	1397.39
CHINESE STEEL PRODUCTION	95.36	128.50	151.63	182.25	222.41	280.49	355.79	422.66	489.00	513.89
CHINESE YIELD (%) = SHIP/PROD	85.6%	84.9%	85.1%	83.2%	80.8%	77.0%	87.7%	91.8%	93.1%	93.1%
CHINESE STEEL SHIPMENTS	81.61	109.07	128.96	151.58	179.60	215.88	311.96	387.84	455.42	478.27
Year over year change		3%	18%	18%	18%	20%	45%	24%	17%	5%
STEEL INCOME STATEMENT CHINESE STEEL INDUSTRY										
RMB TO THE DOLLAR	8.29	8.28	8.28	8.28	8.28	8.28	8.18	7.96	7.58	6.77
(MILLION DOLLARS)										
REVENUE										
SALES	31371	40838	45782	54871	76870	115494	157854	194695	304675	370659
OTHER INCOME										
TOTAL REVENUE	31371	40838	45782	54871	76870	115494	157854	194695	304675	370659
EXPENSES										
LABOR	2563	3343	4084	5241	6771	8702	9671	12411	15484	17887
MATERIAL & OTHER	23374	29946	37640	43503	59448	91531	128841	157075	252302	327614
INTEREST EXPENSE	1158	1254	1519	1590	1555	2024	1872	2620	3643	4544
DEPRECIATION EXPENSE	2676	3696	3761	3933	6449	8492	9359	12411	16159	19667
TOTAL	29771	38238	47006	54266	74224	110750	149743	184517	287589	369713
PRETAX INCOME	1599	2600	-1224	605	2646	4744	8111	10179	17086	946
NON-RECURRING ITEMS	0	0	0	0	0	0	0	0	0	0
TOTAL PRETAX INCOME	1599	2600	-1224	605	2646	4744	8111	10179	17086	946
PRO FORMA TAX RATE	23%	15%	-45%	23%	23%	27%	27%	27%	27%	27%
PRO FORMA TAXES	370	384	545	139	609	1281	2190	2748	4613	255
CAPITAL OUTLAYS	8070	4782	6115	8497	14462	20006	28132	28801	32366	33134
TOTAL ASSETS	66842	98195	98185	127937	143228	167776	169995	199412	215070	231153
(\$): PER TONNE SHIPPED										
REVENUE										
SALES	384	374	355	362	428	535	506	502	669	775
OTHER INCOME	0	0	0	0	0	0	0	0	0	0
TOTAL REVENUE	384	374	355	362	428	535	506	502	669	775
EXPENSES										
LABOR	31	31	32	35	38	40	31	32	34	37
MATERIAL & OTHER	286	275	292	287	331	424	413	405	554	685
INTEREST EXPENSE	14	11	12	10	9	9	6	7	8	10
DEPRECIATION EXPENSE	33	34	29	26	36	39	30	32	35	41
TOTAL	365	351	364	358	413	513	480	476	631	773
PRETAX INCOME	20	24	-9	4	15	22	26	26	38	2
NON-RECURRING ITEMS	0	0	0	0	0	0	0	0	0	0
TOTAL PRETAX INCOME	20	24	-9	4	15	22	26	26	38	2
CAPITAL OUTLAYS	99	44	47	56	81	93	90	74	71	69
TOTAL ASSETS	819	900	761	844	797	777	545	514	472	483
(\$): FREE CASH FLOW ANALYSIS CHINESE STEEL INDUSTRY (MILLION DOLLARS)										
EBITDA	5433	7549	4057	6127	10651	15260	19342	25210	36889	25157
LESS: INTEREST EXPENSE	1158	1254	1519	1590	1555	2024	1872	2620	3643	4544
LESS: INCOME TAXES	370	384	545	139	609	1281	2190	2748	4613	255
LESS: CAPITAL OUTLAYS	8070	4782	6115	8497	14462	20006	28132	28801	32366	33134
EQUALS: FREE CASH FLOW	-4165	1129	-4122	-4098	-5975	-8051	-12852	-8960	-3734	-12776
(\$): PER TONNE SHIPPED										
EBITDA	67	69	31	40	59	71	62	65	81	53
LESS: INTEREST EXPENSE	14	11	12	10	9	9	6	7	8	10
LESS: INCOME TAXES	5	4	4	1	3	6	7	7	10	1
LESS: CAPITAL OUTLAYS	99	44	47	56	81	93	90	74	71	69
EQUALS: FREE CASH FLOW	-51	10	-32	-27	-33	-37	-41	-23	-8	-27

Note: Shipment figures are derived from WSD's Global Steel Alert system.

Note: 2008 results are based on WSD's good case.

WORLDSTEELDYNAMICS

WSD NON-CHINESE FINANCIAL DYNAMICS (YEAR ENDED DECEMBER 31)

	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008E
DERIVED TOTAL NON-CHINESE STEEL INDUSTRY										
(MILLION OF TONNES)										
NON-CHINESE STEEL PRODUCTION	656.84	720.44	699.49	721.68	747.11	788.21	790.22	827.40	854.65	883.50
NON-C YIELD (%) = SHIP/PROD	94.2%	93.8%	94.1%	94.8%	95.8%	94.6%	94.0%	92.9%	92.1%	92.9%
NON-CHINESE STEEL SHIPMENTS	619.03	675.72	658.25	684.32	715.98	745.85	742.57	768.64	787.07	821.21
Year over year change		8%	-3%	4%	5%	4%	0%	4%	2%	4%

STEEL INCOME STATEMENT DERIVED NON-CHINESE STEEL INDUSTRY (MILLION DOLLARS)

REVENUE										
SALES	446463	432462	317275	340793	382336	526568	591826	647194	691836	850777
OTHER INCOME	11242	5779	3371	4888	4675	7882	10273	12411	15384	15903
TOTAL REVENUE	457705	438241	320646	345681	387011	534450	602099	659605	707220	866680
EXPENSES										
LABOR	87358	63085	56388	57094	61862	67872	70544	74558	77133	82121
MATERIAL & OTHER	292532	325404	235785	250676	281382	364719	414353	465795	487198	618373
INTEREST EXPENSE	10790	8454	8178	7681	6998	8950	7426	7686	8658	9033
DEPRECIATION EXPENSE	36245	28105	23345	22582	22628	27596	31188	34589	37779	41061
TOTAL	426926	425049	323697	338033	372869	469138	523510	582628	610768	750589
PRETAX INCOME	30779	13193	-3051	7648	14142	65312	78589	76977	96452	116091
NON-RECURRING ITEMS	-584	-2230	-7976	-6182	-3663	0	0	0	0	0
TOTAL PRETAX INCOME	30195	10962	-11026	1466	10478	65312	78589	76977	96452	116091
PRO FORMA TAX RATE	23%	29%	30%	30%	30%	30%	30%	30%	30%	30%
PRO FORMA TAXES	6869	3205	-3308	440	3095	19291	23213	22736	28489	34289
CAPITAL OUTLAYS	39355	22727	20388	18196	17775	25717	32346	40085	46225	74000
TOTAL ASSETS	626884	518454	463637	453367	458021	456141	457300	462795	471241	504180

(\$): PER TONNE SHIPPED

REVENUE										
SALES	721	640	482	498	534	706	797	842	879	1036
OTHER INCOME	18	9	5	7	7	11	14	16	20	19
TOTAL REVENUE	739	649	487	505	541	717	811	858	899	1055
EXPENSES										
LABOR	141	93	86	83	86	91	95	97	98	100
MATERIAL & OTHER	473	482	358	366	393	489	558	606	619	753
INTEREST EXPENSE	17	13	12	11	10	12	10	10	11	11
DEPRECIATION EXPENSE	59	42	35	33	32	37	42	45	48	50
TOTAL	690	629	492	494	521	629	705	758	776	914
PRETAX INCOME	50	20	-5	11	20	88	106	100	123	141
NON-RECURRING ITEMS	-1	-3	-12	-9	-5	0	0	0	0	0
TOTAL PRETAX INCOME	49	16	-17	2	15	88	106	100	123	141
CAPITAL OUTLAYS	64	34	31	27	25	34	44	52	59	90
TOTAL ASSETS	1013	767	704	663	640	612	616	602	599	614

(\$): FREE CASH FLOW ANALYSIS DERIVED NON-CHINESE STEEL INDUSTRY (MILLION DOLLARS)

EBITDA	77815	49752	28473	37911	43767	101859	117203	119252	142889	166185
LESS: INTEREST EXPENSE	10790	8454	8178	7681	6998	8950	7426	7686	8658	9033
LESS: INCOME TAXES	6869	3205	Neg	440	3095	19291	23213	22736	28489	34289
LESS: CAPITAL OUTLAYS	39355	22727	20388	18196	17775	25717	32346	40085	46225	74000
EQUALS: FREE CASH FLOW	20801	15366	-93	11595	15900	47901	54218	48744	59518	48862

(\$): PER TONNE SHIPPED

EBITDA	126	74	43	55	61	137	158	155	182	202
LESS: INTEREST EXPENSE	17	13	12	11	10	12	10	10	11	11
LESS: INCOME TAXES	11	5	0	0	4	26	31	30	36	42
LESS: CAPITAL OUTLAYS	64	34	31	27	25	34	44	52	59	90
EQUALS: FREE CASH FLOW	34	23	0	17	22	64	73	63	76	60

Note: Shipment figures are derived from WSD's Global Steel Alert system.

Note: 2008 results are based on WSD's good case.

WORLDSTEELDYNAMICS

WSD WORLD FINANCIAL DYNAMICS (YEAR ENDED DECEMBER 31)

	<u>1995</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008E</u>
WSD FINANCIAL DYNAMICS										
TOTAL STEEL INDUSTRY (MILLION OF TONNES)										
WORLD STEEL PRODUCTION	752.20	848.94	851.12	903.93	969.53	1068.69	1146.01	1250.06	1343.65	1397.39
CHINESE STEEL PRODUCTION	95.36	128.50	151.63	182.25	222.41	280.49	355.79	422.66	489.00	513.89
NON-CHINESE STEEL PRODUCTION	656.84	720.44	699.49	721.68	747.11	788.21	790.22	827.40	854.65	883.50
NON-C SHARE OF WORLD (%)	87.3%	84.9%	82.2%	79.8%	77.1%	73.8%	69.0%	66.2%	63.6%	63.2%
YIELD (%) = SHIP/PROD	93.1%	92.4%	92.5%	92.5%	92.4%	90.0%	92.0%	92.5%	92.5%	93.0%
WORLD STEEL SHIPMENTS	700.64	784.79	787.21	835.90	895.59	961.72	1054.53	1156.48	1242.49	1299.48
Year over year change		8%	0%	6%	7%	7%	10%	10%	7%	5%
STEEL INCOME STATEMENT STEEL INDUSTRY (MILLION DOLLARS)										
REVENUE										
SALES	477834	473300	363057	395664	459206	642062	749680	841889	996512	1221435
OTHER INCOME	11242	5779	3371	4888	4675	7882	10273	12411	15384	15903
TOTAL REVENUE	489075	479079	366428	400552	463881	649944	759953	854300	1011895	1237338
EXPENSES										
LABOR	89921	66428	60472	62335	68633	76574	80215	86969	92617	100009
MATERIAL & OTHER	315906	355350	273426	294179	340830	456251	543194	622870	739500	945988
INTEREST EXPENSE	11949	9708	9698	9270	8553	10974	9297	10306	12301	13577
DEPRECIATION EXPENSE	38921	31801	27107	26515	29077	36089	40547	47000	53939	60728
TOTAL	456697	463287	370702	392299	447093	579888	673253	767145	898357	1120301
PRETAX INCOME	32378	15793	-4274	8253	16787	70056	86700	87155	113538	117037
NON-RECURRING ITEMS	-584	-2230	-7976	-6182	-3663	0	0	0	0	0
TOTAL PRETAX INCOME	31794	13562	-12250	2071	13124	70056	86700	87155	113538	117037
PRO FORMA TAX RATE	23%	26%	23%	28%	28%	29%	29%	29%	29%	30%
PRO FORMA TAXES	7239	3590	-2763	579	3703	20572	25403	25485	33102	34545
CAPITAL OUTLAYS	47425	27509	26503	26693	32237	45723	60478	68886	78591	107134
TOTAL ASSETS	693726	616649	561822	581304	601249	623918	627294	662207	686310	735333
(\$): PER TONNE SHIPPED										
REVENUE										
SALES	682	603	461	473	513	668	711	728	802	940
OTHER INCOME	16	7	4	6	5	8	10	11	12	12
TOTAL REVENUE	698	610	465	479	518	676	721	739	814	952
EXPENSES										
LABOR	128	85	77	75	77	80	76	75	75	77
MATERIAL & OTHER	451	453	347	352	381	474	515	539	595	728
INTEREST EXPENSE	17	12	12	11	10	11	9	9	10	10
DEPRECIATION EXPENSE	56	41	34	32	32	38	38	41	43	47
TOTAL	652	590	471	469	499	603	638	663	723	862
PRETAX INCOME	46	20	-5	10	19	73	82	75	91	90
NON-RECURRING ITEMS	-1	-3	-10	-7	-4	0	0	0	0	0
TOTAL PRETAX INCOME	45	17	-16	2	15	73	82	75	91	90
CAPITAL OUTLAYS	68	35	34	32	36	48	57	60	63	82
TOTAL ASSETS	990	786	714	695	671	649	595	573	552	566
(\$): FREE CASH FLOW ANALYSIS STEEL INDUSTRY (MILLION DOLLARS)										
EBITDA	83249	57301	32530	44038	54418	117119	136544	144461	179778	191342
LESS: INTEREST EXPENSE	11949	9708	9698	9270	8553	10974	9297	10306	12301	13577
LESS: INCOME TAXES	7239	3590	Neg	579	3703	20572	25403	25485	33102	34545
LESS: CAPITAL OUTLAYS	47425	27509	26503	26693	32237	45723	60478	68886	78591	107134
EQUALS: FREE CASH FLOW	16636	16495	-3670	7496	9924	39850	41366	39785	55784	36086
(\$): PER TONNE SHIPPED										
EBITDA	119	73	41	53	61	122	129	125	145	147
LESS: INTEREST EXPENSE	17	12	12	11	10	11	9	9	10	10
LESS: INCOME TAXES	10	5	0	0	4	21	24	22	27	27
LESS: CAPITAL OUTLAYS	68	35	34	32	36	48	57	60	63	82
EQUALS: FREE CASH FLOW	24	21	-5	9	11	41	39	34	45	28

Note: Shipment figures are derived from WSD's Global Steel Alert system.

Note: 2008 results are based on WSD's good case.

WORLDSTEELDYNAMICS

China Imports by Product

thousand tonnes

	Ingots & Semis		Bars & W.R.		Shapes		Plates		Sheets		Pipes		Others		Total	Scrap	Pig Iron
	% Chg		% Chg		% Chg		% Chg		% Chg		% Chg		% Chg	% Chg	% Chg	% Chg	% Chg
1990	280		806		184		2,378				722		104		4,474		
1991	120	-57%	181	-78%	57	-69%	2,031	-15%			1,161	61%	127	22%	3,677	-18%	
1992	1,390	1058%	1,480	718%	240	321%	4,210	107%			980	-16%	280	120%	8,580	133%	
1993	5,740	313%	10,610	617%	3,940	1542%	14,170	237%			1,160	18%	480	71%	36,100	321%	
1994	1,930	-66%	10,040	-5%	1,640	-58%	9,070	-36%			1,390	20%	680	42%	24,750	-31%	
1995	420	-78%	4,680	-53%	530	-68%	7,430	-18%			890	-36%	440	-35%	14,390	-42%	
1996	310	-26%	4,520	-3%	350	-34%	10,430	40%			530	-40%	160	-64%	16,300	13%	
1997	320	3%	3,100	-31%	330	-6%	489		8,361		720	36%	220	37%	13,540	-17%	1,829 #DIV/0!
1998	650	103%	2,710	-13%	330	0%	438	-10%	7,922	-5%	760	6%	220	0%	13,030	-4%	1,999 9%
1999	2,110	225%	1,540	-43%	260	-21%	404	-8%	11,796	49%	620	-18%	260	18%	16,990	30%	3,339 67%
2000	4,750	125%	660	-57%	210	-19%	541	34%	13,569	15%	670	8%	300	15%	20,700	22%	5,099 53%
2001	8,170	72%	750	14%	220	5%	661	22%	14,209	5%	830	24%	540	80%	25,380	23%	9,776 92%
2002	4,600	-44%	1,040	39%	240	9%	1,216	84%	19,944	40%	1,370	65%	680	26%	29,090	15%	7,853 -20%
2003	5,935	29%	1,240	19%	860	258%	3,109	156%	30,151	51%	1,130	-18%	625	-8%	43,050	48%	9,294 18%
2004	3,860	-35%	1,380	11%	798	-7%	2,186	-30%	22,874	-24%	1,320	17%	672	8%	33,090	-23%	10,225 10%
2005	1,353	-65%	1,080	-22%	620	-22%	1,123	-49%	21,917	-4%	1,080	-18%	567	-16%	27,170	-18%	10,136 -1%
2006	508	-62%	1,120	4%	299	-52%	1,004	-11%	20,711	-6%	970	-10%	1,567	176%	18,973	-30%	5,386 -47%
2007	391	-23%	1,060	-5%	280	-6%	1,321	32%	11,981	-42%	770	-21%	1,396	-11%	17,199	-9%	3,395 -37%
Jan-07	45	150%	110	22%	21	-20%	82	23%	1,083	-9%	58	-36%	117	5%	1,516	-5%	296 -47%
Feb-07	55	57%	70	0%	25	42%	98	77%	848	-10%	55	-8%	124	21%	1,275	-1%	210 -62%
Mar-07	43	-19%	110	0%	21	-20%	105	31%	1,145	-11%	67	-29%	122	-36%	1,613	-12%	289 -61%
Apr-07	30	-17%	120	33%	31	-12%	112	32%	1,144	-7%	83	-8%	131	0%	1,651	-3%	345 -47%
May-07	27	-29%	90	13%	25	-29%	110	41%	972	-4%	55	-31%	123	-27%	1,402	-6%	242 -42%
Jun-07	29	-29%	70	-22%	30	14%	105	13%	1,024	-15%	63	-30%	116	-30%	1,437	-16%	247 -36%
Jul-07	25	-11%	90	0%	26	-1%	111	24%	979	-11%	62	-27%	118	-14%	1,411	-9%	212 -30%
Aug-07	26	-45%	80	-20%	21	-20%	125	20%	1,041	-12%	71	-11%	121	-6%	1,485	-11%	275 -48%
Sep-07	46	-36%	90	-10%	19	8%	120	31%	1,010	-13%	73	-14%	110	-6%	1,468	-11%	319 -33%
Oct-07	24	-27%	70	-22%	16	-9%	112	45%	863	-16%	54	-2%	89	-22%	1,228	-14%	268 16%
Nov-07	14	-80%	80	-20%	22	-17%	102	16%	960	-11%	69	-14%	110	16%	1,357	-12%	336 13%
Dec-07	27	-25%	80	-27%	23	31%	140	47%	911	-16%	60	-25%	115	8%	1,356	-12%	356 53%

China Exports by Product

thousand tonnes

	Ingots & Semis		Bars & W.R.		Shapes		Plates		Sheets		Pipes		Others		Total	Scrap	Pig Iron
	% Chg		% Chg		% Chg		% Chg		% Chg		% Chg		% Chg	% Chg	% Chg	% Chg	% Chg
1990			801		297		515				9		370		1,992		
1991			1,115	39%	401	35%	457	-11%			62	589%	563	52%	2,598	30%	
1992	340		670	-40%	570	42%	420	-8%			190	206%	270	-52%	2,460	-5%	
1993	110	-68%	230	-66%	100	-82%	310	-26%			160	-16%	330	22%	1,240	-50%	
1994	660	500%	590	157%	210	110%	420	35%			220	38%	330	0%	2,430	96%	
1995	4,430	571%	810	37%	450	114%	3,790	802%			270	23%	610	85%	10,360	326%	
1996	2,720	-39%	650	-20%	490	9%	2,200	-42%			310	15%	560	-8%	6,930	-33%	
1997	3,670	35%	570	-12%	430	-12%	893		1,697		340	10%	2,387	326%	8,290	20%	68 #DIV/0!
1998	1,640	-55%	480	-16%	110	-74%	832	-7%	938	-45%	300	-12%	1,848	-23%	5,210	-37%	25 -63%
1999	1,720	5%	440	-8%	170	55%	485	-42%	1,525	63%	350	17%	2,245	22%	5,410	4%	61 146%
2000	4,340	152%	860	95%	390	129%	1,262	160%	2,198	44%	400	14%	3,288	46%	10,540	95%	47 -23%
2001	2,710	-38%	950	10%	380	-3%	523	-59%	2,153	-2%	460	15%	2,427	-26%	7,450	-29%	10 -80%
2002	1,330	-51%	1,450	53%	370	-3%	429	-18%	2,377	10%	695	51%	2,516	4%	6,790	-9%	6 -35%
2003	1,491	12%	2,400	66%	244	-34%	264	-38%	2,279	-4%	1,133	63%	2,868	14%	8,400	24%	4 -39%
2004	6,155	313%	4,460	86%	472	93%	921	249%	4,585	101%	1,683	49%	974	-66%	19,250	129%	6 51%
2005	7,236	18%	6,090	37%	830	76%	1,827	98%	5,969	30%	3,050	81%	1,422	46%	26,424	37%	2 -67%
2006	9,076	25%	11,079	82%	2,654	220%	5,056	177%	13,518	126%	5,874	93%	3,136	121%	50,393	91%	40 1950%
2007	6,457	-29%	16,250	47%	5,466	106%	9,280	84%	15,479	15%	8,606	47%	5,384	72%	66,922	33%	32 -19%
Jan-07	573	93%	1,136	140%	348	266%	493	128%	1,174	119%	662	208%	357	181%	4,743	142%	0 891%
Feb-07	548	83%	1,127	151%	347	442%	640	212%	1,075	95%	675	89%	359	202%	4,771	133%	0 73%
Mar-07	664	118%	1,632	150%	494	203%	714	134%	1,396	41%	625	78%	382	68%	5,907	97%	0 -95%
Apr-07	873	80%	2,295	239%	571	242%	962	212%	1,773	107%	812	144%	517	123%	7,803	155%	0 46%
May-07	964	41%	1,843	72%	594	165%	921	198%	1,399	30%	764	67%	466	116%	6,951	72%	1 306%
Jun-07	757	-27%	1,885	49%	703	164%	913	81%	1,345	-5%	841	46%	455	89%	6,899	30%	1 -98%
Jul-07	902	8%	1,563	80%	567	175%	728	56%	1,500	30%	957	98%	427	71%	6,644	56%	0 -50%
Aug-07	343	-70%	1,123	22%	508	67%	875	103%	1,541	27%	705	24%	451	65%	5,546	15%	1 48%
Sep-07	357	-67%	840	-10%	414	69%	696	44%	1,172	-16%	696	27%	448	36%	4,623	-8%	6 272%
Oct-07	182	-81%	987	-6%	258	15%	715	70%	1,043	-25%	580	-10%	473	30%	4,238	-16%	23 1899%
Nov-07	167	-89%	842	-34%	310	7%	831	57%	848	-37%	598	-8%	483	24%	4,079	-32%	0 47%
Dec-07	127	-75%	977	-32%	352	-13%	792	-10%	1,213	-24%	691	0%	566	55%	4,718	-20%	0 -39%

WORLDSTEELDYNAMICS

China Net-Imports by Product thousand tonnes

	Ingots & Semis		Bars & W.R.		Shapes		Plates		Sheets		Pipes		Others		Total	Scrap	Pig Iron
	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg
1990	280		5		-113		1,863				713		-266		2,482		
1991	120	-57%	-934	#####	-344	204%	1,574	-16%			1,099	54%	-436	64%	1,079	-57%	
1992	1,050	775%	810	-187%	-330	-4%	3,790	141%			790	-28%	10	-102%	6,120	467%	
1993	5,630	436%	10,380	1181%	3,840	-1264%	13,860	266%			1,000	27%	150	1400%	34,860	470%	
1994	1,270	-77%	9,450	-9%	1,430	-63%	8,650	-38%			1,170	17%	350	133%	22,320	-36%	
1995	-4,010	-416%	3,870	-59%	80	-94%	3,640	-58%			620	-47%	-170	-149%	4,030	-82%	
1996	-2,410	-40%	3,870	0%	-140	-275%	8,230	126%			220	-65%	-400	135%	9,370	133%	
1997	-3,350	39%	2,530	-35%	-100	-29%	-404		6,664		380	73%	-2,167	442%	5,250	-44%	1,760 #DIV/0!
1998	-990	-70%	2,230	-12%	220	-320%	-394	-2%	6,984	5%	460	21%	-1,628	-25%	7,820	49%	1,974 12%
1999	390	-139%	1,100	-51%	90	-59%	-81	-80%	10,271	47%	270	-41%	-1,985	22%	11,580	48%	3,278 66%
2000	410	5%	-200	-118%	-180	-300%	-720	793%	11,370	11%	270	0%	-2,988	51%	10,160	-12%	5,052 54%
2001	5,460	1232%	-200	0%	-160	-11%	138	-119%	12,056	6%	370	37%	-1,887	-37%	17,930	76%	9,767 93%
2002	3,270	-40%	-410	105%	-130	-19%	787	471%	17,567	46%	675	82%	-1,836	-3%	22,300	24%	7,847 -20%
2003	4,444	36%	-1,160	183%	616	-574%	2,845	261%	27,872	59%	-3	-100%	-2,243	22%	34,650	55%	9,290 18%
2004	-2,295	-152%	-3,080	166%	326	-47%	1,265	-56%	18,289	-34%	-363	12076%	-302	-87%	13,840	-60%	10,219 10%
2005	-5,883	156%	-5,010	63%	-210	-164%	-704	-156%	15,948	-13%	-1,970	443%	-855	183%	746	-95%	10,134 -1%
2006	-8,568	46%	-9,959	99%	-2,355	1021%	-4,052	476%	7,194	-55%	-4,904	149%	-1,569	84%	-31,420	-4312%	5,346 -47%
2007	-6,066	-29%	-15,190	53%	-5,186	120%	-7,959	96%	-3,498	-149%	-7,836	60%	-3,988	154%	-49,723	58%	3,363 -37%
Jan-07	-528	89%	-1,026	167%	-327	377%	-410	175%	-92	-114%	-604	383%	-240	1460%	-3,227	765%	296 -47%
Feb-07	-493	86%	-1,057	179%	-322	594%	-542	262%	-227	-157%	-620	108%	-235	1317%	-3,496	360%	210 -62%
Mar-07	-621	146%	-1,522	180%	-473	246%	-609	170%	-251	-186%	-558	118%	-260	577%	-4,294	270%	289 -61%
Apr-07	-843	88%	-2,175	271%	-540	310%	-850	279%	-629	-266%	-729	200%	-386	282%	-6,152	354%	345 -47%
May-07	-937	45%	-1,753	77%	-569	201%	-811	251%	-427	591%	-709	88%	-343	627%	-5,549	118%	241 -43%
Jun-07	-728	-27%	-1,815	55%	-673	181%	-808	96%	-321	50%	-778	60%	-339	356%	-5,462	52%	246 -31%
Jul-07	-877	9%	-1,473	90%	-541	201%	-617	64%	-521	833%	-895	125%	-309	173%	-5,233	93%	211 -29%
Aug-07	-317	-71%	-1,043	27%	-487	75%	-750	130%	-500	1695%	-634	30%	-330	127%	-4,061	28%	274 -48%
Sep-07	-311	-69%	-750	-10%	-395	74%	-576	47%	-162	-29%	-623	35%	-338	58%	-3,155	-6%	313 -34%
Oct-07	-158	-83%	-917	-5%	-242	17%	-603	76%	-180	-50%	-526	-11%	-384	53%	-3,010	-17%	245 7%
Nov-07	-153	-89%	-762	-35%	-288	10%	-729	65%	112	-141%	-529	-7%	-373	27%	-2,722	-39%	336 13%
Dec-07	-100	-78%	-897	-33%	-329	-15%	-653	-16%	-301	-40%	-631	3%	-451	74%	-3,362	-23%	355 54%