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STAINLESS STEEL REVIEW

EDITORIAL **JANUARY 2005**

COMPETITIVE STAINLESS STEEL PRICES STIMULATE A SURGE IN CHINESE EXPORTS

It had been widely forecast that China would one day become a significant exporter of stainless steel. The country is fulfilling these predictions more quickly than expected. Preliminary trade figures for 2004 show that it is already a substantial force in the international market. China's total exports of stainless steel last year soared to 387,308 tonnes – more than double the 2003 figure of 154,902 tonnes.

About half of these stainless exports were flat rolled products. They exceeded 190,000 tonnes

COMPARISON OF NEGOTIATED TRANSACTION PRICES

PRODUCT:- ($US/tonne)	Hot Rolled Coil		Hot Rolled Plate		Cold Rolled Coil				Drawn Bar		Peeled Bar	
GRADE:-	304	316	304	316	304	316	409	430	304	316	304	316
USA	2510	4361	3040	4761	2755	4561	1547	1737	3162	4780	2957	4630
Japan	2589	4171	3164	4650	2780	4362	-	1726	2828	3787	-	-
South Korea	2505	3661	3131	4528	3015	4432	1657	1898	2890	4143	3324	4239
Taiwan	2485	3869	2737	4089	2579	4058	-	1636	2894	4184	2863	4152
Hong Kong*	2400	3900	2100	3600	2500	3950	-	1400	2550	4050	-	-
EU (average)	2581	4773	2900	5102	2876	5094	1706	1897	3306	6044	3000	5499
Germany	2593	4814	2892	5273	2892	5126	1729	1968	3371	6184	2999	5578
France	2569	4739	2888	5072	2835	5052	1718	1791	3285	6037	2927	5473
Italy	2557	4726	2903	5005	2903	5112	1729	1914	3311	6051	3092	5578
UK	2652	4883	2991	5128	2896	5147	1635	1898	3226	5949	2996	5401
Spain	2535	4701	2827	5033	2854	5033	1722	1915	3338	5997	2985	5465
Sweden	2514	4677	2925	5000	2772	4912	1611	1839	3337	6087	2878	5358
Netherlands*	2549	4719	2902	5072	2835	5092	-	1924	3262	6031	3031	5461
Denmark*	2553	4698	2829	4968	2791	4984	-	-	3503	6264	3103	5636

Note: *:- Import Prices. Figures in this table are calculated from the low values of the negotiated transaction prices plus applicable alloy surcharges in the current month - converted into $US at this month's rate.

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in 2004, a near-sevenfold jump on the previous year's figure of 27,813 tonnes. China's stainless producers also exported about 90,000 tonnes of non-flat products and more than 100,000 tonnes of tubes and pipes.

In flat products, the biggest year-on-year increase in exports was in cold rolled strip which went up from 11,123 tonnes in 2003 to 104,463 tonnes in 2004. This was a jump of 840 percent year-on-year, and further growth is expected this year. Europe is among the markets being targeted.

Several factors lie behind the sharp increase in Chinese cold rolled exports. First, is the over-capacity for stainless cold rolled strip that now exists in China. In addition to the major producers Taiyuan and Baosteel and the joint ventures involving Posco and ThyssenKrupp, there are dozens of small private sector cold strip mills operating in this segment. According to one informed estimate, national capacity for cold rolled stainless now exceeds 2 million tonnes per year and rising. Second, increased exports of cold rolled strip would not be possible without an expanded supply of hot band. While China's domestic production of this product is growing, much of the extra supply is coming from imports which rose to about 1.7 million tonnes last year.

In order for China to be a substantial exporter of cold rolled products, it must be able to obtain this hot band at competitive prices. It is clear that there is plenty of coil available on the international market – whether from Asian, European or other mills – to meet China's needs. Global over-supply of hot band is resulting in the surplus being offloaded in China, but at what price? If the Chinese rerollers can buy hot band from Europe, convert it to cold rolled coil and sell it back to Europe and still making a margin, they must be paying a substantially discounted price for the feed material.

FLAT PRODUCTS

HOT ROLLED COIL AND PLATE

Agreed basis prices slipped this month in the United States. Alloy surcharges also drifted downwards, leaving transaction values for type 304 coil and plate, 1.5 percent lower. The market has not picked up since the turn of the year. Inventories seem to be expanding. The import threat is increasing also. Delivery lead times are reducing - which indicates a shortage of orders at the mills. On the plus side, demand for pipes and tubes is strong.

Japanese prices also fell marginally in recent weeks. The main domestic producer announced a price cut of ¥5000 per tonne for January shipments of sheet and plate to distributors. This figure affects 300 series grades but excludes those containing molybdenum. For 316 types, a rise of ¥40,000 per tonne was imposed. Shortages in the plate segment are now easing.

In South Korea, the KRW150,000 per tonne increase for strip products in November to cover excessive nickel costs, has been eroded. Demand is quite weak. There is talk of a price rise soon but this will be difficult to apply in the current business climate. The Taiwanese market remains quiet. As the Chinese New Year approaches, very little business is being done in the coil sector. Everyone is waiting to see developments after the holiday.

Import prices in Hong Kong are significantly above local values for strip and plate. Only small quantities are being ordered. Due to the lack of business we have carried the December values over to this month. Higher prices from foreign producers are a possibility after the Lunar New Year break. Plate figures in our

STAINLESS STEEL ALLOY SURCHARGES - FLAT PRODUCTS - GRADE 304

	2004					2005			
	AUG	SEP	OCT	NOV	DEC	JAN	FEB(e)	MAR(e)	APR(f)
USA $/ton	1035	1210	1123	1075	1190	1170	1135	1190	1215
USA $/tonne	1140	1335	1235	1180	1310	1290	1250	1310	1335
EU Avg. €/tonne	750	900	940	910	920	925	905	920	940

Note:- * - (e) - ESTIMATE.

NEGOTIATED DOMESTIC PRICES - HOT ROLLED PRODUCTS

Note:- * Import Prices

		Hot Rolled Coil				Hot Rolled Plate			
		Grade 304		Grade 316		Grade 304		Grade 316	
		Low	High	Low	High	Low	High	Low	High
U.S.A.	Market	**1109**	**1209**	**1595**	**1686**	**1591**	**1691**	**1959**	**2132**
(US$)	Surcharge	**1173**	**1173**	**2369**	**2369**	**1173**	**1173**	**2369**	**2369**
per ton	Transaction	**2282**	**2382**	**3964**	**4055**	**2764**	**2864**	**4328**	**4501**
U.S.A.	Market	1220	1330	1755	1855	1750	1860	2155	2345
(US$)	Surcharge	1290	1290	2606	2606	1290	1290	2606	2606
per tonne	Transaction	2510	2620	4361	4461	3040	3150	4761	4951
Japan	Market	270	285	435	465	310	335	465	475
(‘000 YEN)	Surcharge	0	0	0	0	20	20	20	20
per tonne	Transaction	270	285	435	465	330	355	485	495
South Korea	Market	2600	2700	3800	3900	3250	3450	4700	4800
(‘000 KRW)	Surcharge	0	0	0	0	0	0	0	0
per tonne	Transaction	2600	2700	3800	3900	3250	3450	4700	4800
Taiwan	Market	79.0	81.0	123.0	125.0	87.0	91.0	130.0	132.0
(‘000$NT)	Surcharge	0	0	0	0	0	0	0	0
per tonne	Transaction	79.0	81.0	123.0	125.0	87.0	91.0	130.0	132.0
Hong Kong*	Market	2400	2450	3900	3950	2100	2300	3600	3800
(US$)	Surcharge	0	0	0	0	0	0	0	0
per tonne	Transaction	2400	2450	3900	3950	2100	2300	3600	3800
Germany	Market	1025	1095	1435	1505	1250	1310	1780	1840
(€)	Surcharge	925	925	2185	2185	925	925	2185	2185
per tonne	Transaction	1950	2020	3620	3690	2175	2235	3965	4025
France	Market	1020	1050	1385	1410	1260	1280	1635	1665
(€)	Surcharge	912	912	2179	2179	912	912	2179	2179
per tonne	Transaction	1932	1962	3564	3589	2172	2192	3814	3844
Italy	Market	1000	1080	1370	1410	1260	1330	1580	1650
(€)	Surcharge	923	923	2184	2184	923	923	2184	2184
per tonne	Transaction	1923	2003	3554	3594	2183	2253	3764	3834
UK	Market	790	810	1110	1140	970	1050	1240	1360
(£)	AA Factor	618	618	1483	1483	618	618	1483	1483
per tonne	Transaction	1408	1428	2593	2623	1588	1668	2723	2843
Spain	Market	1005	1065	1375	1475	1225	1285	1625	1750
(€)	Surcharge (E)	901	901	2160	2160	901	901	2160	2160
per tonne	Transaction	1906	1966	3535	3635	2126	2186	3785	3910
Sweden	Market	9100	9450	12600	12850	11900	12150	14800	15300
(SKR)	AA Factor	8030	8030	19270	19270	8030	8030	19270	19270
per tonne	Transaction	17130	17480	31870	32120	19930	20180	34070	34570
Netherlands*	Market	1005	1035	1370	1400	1270	1310	1635	1675
(€)	Surcharge	912	912	2179	2179	912	912	2179	2179
per tonne	Transaction	1917	1947	3549	3579	2182	2222	3814	3854
Denmark*	Market	7400	7600	10030	10430	8940	9140	11540	11740
(DKR)	Surcharge	6880	6880	16245	16245	6880	6880	16245	16245
per tonne	Transaction	14280	14480	26275	26675	15820	16020	27785	27985

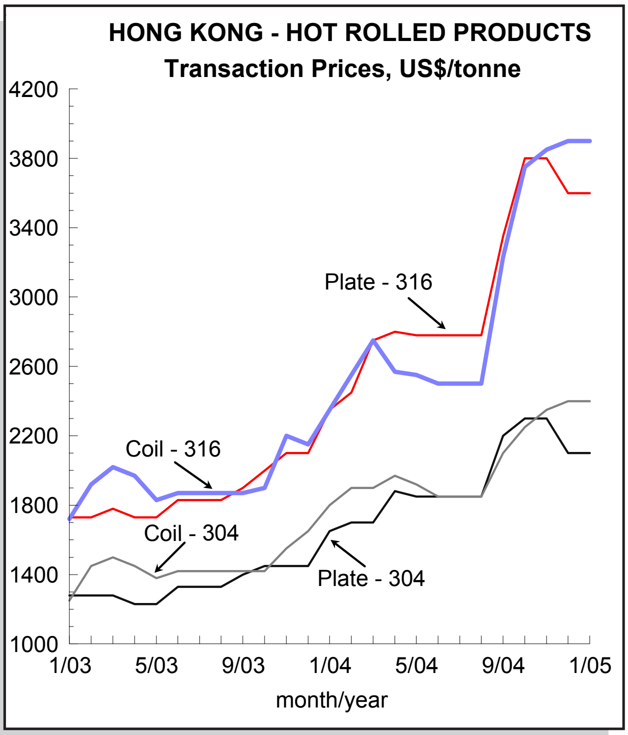
table are local prices because import business is virtually zero.

In the EU, alloy surcharges for type 304, this month, were broadly in line with the December figures. However, February values are expected to decrease by around €70 per tonne on average. The picture for 316 grades is much different. This month's figures are up by approximately 9 percent. A smaller but significant rise is anticipated in February.

German hot strip basis prices have not been changed this month but there are signs that a decrease will occur soon. Inventories at the service centres are excessive and, in an attempt to reduce stock levels, resale prices have started to slide. French basis figures are in retreat. Demand has been slipping for several months. Lower surcharges are anticipated and this is encouraging buyers to delay ordering. In contrast, the plate business is stronger. Agreed basis values are slightly higher.

Italian basis prices have shaded downwards in the hot rolled segment. Activity in the market is normal but demand on the domestic mills is lower due to the high volume of imports available from the Far East.

The UK market is quite slow and stock levels are thought to be too high. Demand for grade 316 is sluggish. Buyers report that some major projects have been delayed due to excessive steel prices (particularly type 316). We have no basis price movements to report this month. There are initial attempts to lift plate basis figures by approximately £35 per tonne for second quarter deliveries. This initiative is unlikely to succeed.



Spanish basis numbers are slightly lower this month. This is partly the result of increased import volumes at competitive prices.

Swedish demand and supply is reasonably in balance, although new availability in the EU market is starting to weaken values. A basis price reduction on grade 304 coil of 1.5 percent was agreed in recent discussions but a smaller decrease was put in place for plate. Basis figures are unchanged in the Netherlands this month but resale prices are down as stockists try to sell inventories before the decline in alloy surcharges

FLAT ROLLED PRODUCTS - NEGOTIATED TRANSACTION PRICE TRENDS* - HONG KONG ($US/tonne)

* LOW PRICES

PRODUCT	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1 ESTIMATE
Hot Rolled Coil Grade 304	1540	1867	1913	1933	2333	2450
Hot Rolled Coil Grade 316	2083	2550	2540	2743	3833	3950
Hot Rolled Plate Grade 304	1450	1683	1860	1967	2233	2200
Hot Rolled Plate Grade 316	2067	2517	2787	2970	3733	3700
Cold Rolled Coil Grade 304	1583	1933	1890	2013	2450	2550
Cold Rolled Coil Grade 316	2117	2600	2533	2767	3933	4000
Cold Rolled Coil Grade 409	-----	-----	-----	-----	-----	-----
Cold Rolled Coil Grade 430	1067	1130	1160	1217	1333	1400

NEGOTIATED DOMESTIC PRICES - COLD ROLLED PRODUCTS

Note:- * Import Prices

		Cold Rolled Coil							
		Grade 304		Grade 316		Grade 409		Grade 430	
		Low	High	Low	High	Low	High	Low	High
U.S.A.	Market	**1332**	**1423**	**1777**	**1841**	**1091**	**1182**	**1236**	**1327**
(US$)	Surcharge	**1173**	**1173**	**2369**	**2369**	**315**	**315**	**343**	**343**
per ton	Transaction	**2505**	**2596**	**4146**	**4210**	**1406**	**1497**	**1579**	**1670**
U.S.A.	Market	1465	1565	1955	2025	1200	1300	1360	1460
(US$)	Surcharge	1290	1290	2606	2606	347	347	377	377
per tonne	Transaction	2755	2855	4561	4631	1547	1647	1737	1837
Japan	Market	290	325	455	475	-	-	180	195
('000 YEN)	Surcharge	0	0	0	0	-	-	0	0
per tonne	Transaction	290	325	455	475	-	-	180	195
South Korea	Market	3130	3250	4600	4800	1720	1870	1970	2120
('000 KRW)	Surcharge	0	0	0	0	0	0	0	0
per tonne	Transaction	3130	3250	4600	4800	1720	1870	1970	2120
Taiwan	Market	82.0	84.0	129.0	131.0	-	-	52.0	54.0
('000$NT)	Surcharge	0	0	0	0	-	-	0	0
per tonne	Transaction	82.0	84.0	129.0	131.0	-	-	52.0	54.0
Hong Kong*	Market	2500	2550	3950	4050	-	-	1400	1450
(US$)	Surcharge	0	0	0	0	-	-	0	0
per tonne	Transaction	2500	2550	3950	4050	-	-	1400	1450
Germany	Market	1250	1310	1670	1720	1070	1100	1220	1250
(€)	Surcharge	925	925	2185	2185	230	230	260	260
per tonne	Transaction	2175	2235	3855	3905	1300	1330	1480	1510
France	Market	1220	1270	1620	1650	1070	1090	1100	1120
(€)	Surcharge	912	912	2179	2179	222	222	247	247
per tonne	Transaction	2132	2182	3799	3829	1292	1312	1347	1367
Italy	Market	1260	1300	1660	1720	1070	1110	1180	1240
(€)	Surcharge	923	923	2184	2184	230	230	259	259
per tonne	Transaction	2183	2223	3844	3904	1300	1340	1439	1499
UK	Market	920	940	1250	1270	740	780	860	870
(£)	AA Factor	618	618	1483	1483	128	128	148	148
per tonne	Transaction	1538	1558	2733	2753	868	908	1008	1018
Spain	Market	1245	1305	1625	1675	1075	1105	1195	1255
(€)	Surcharge (E)	901	901	2160	2160	220	220	245	245
per tonne	Transaction	2146	2206	3785	3835	1295	1325	1440	1500
Sweden	Market	10860	11100	14200	14600	9300	9500	10600	10800
(SKR)	AA Factor	8030	8030	19270	19270	1680	1680	1930	1930
per tonne	Transaction	18890	19130	33470	33870	10980	11180	12530	12730
Netherlands*	Market	1220	1250	1650	1680	-	-	1200	1220
(€)	Surcharge	912	912	2179	2179	-	-	247	247
per tonne	Transaction	2132	2162	3829	3859	-	-	1447	1467
Denmark*	Market	8730	8870	11630	11830	-	-	-	-
(DKR)	Surcharge	6880	6880	16245	16245	-	-	-	-
per tonne	Transaction	15610	15750	27875	28075	-	-	-	-

MONTHLY COLD ROLLED - NEGOTIATED TRANSACTION PRICES (GRADE 304)

INCLUDING ALLOY SURCHARGE WHERE APPLICABLE.

		2004 JUL	2004 AUG	2004 SEP	2004 OCT	2004 NOV	2004 DEC	2005 JAN
United States ($US) per tonne	High:	2481	2481	2921	2820	2766	2895	2855
	Low:	2381	2381	2821	2720	2666	2795	2755
Japan ('000 Yen) per tonne	High:	295	295	325	325	325	325	325
	Low:	275	275	295	295	295	295	290
E.U. Average (€) per tonne	High:	2121	2129	2267	2278	2238	2246	2210
	Low:	2077	2085	2223	2230	2190	2198	2163

in February/March. Modest price reductions of Dkr100 per tonne on basis were agreed in Denmark for January. Activity in the market seems satisfactory but many buyers are reporting that they are ordering less due to the prospect of lower values in the future.

COLD ROLLED COIL

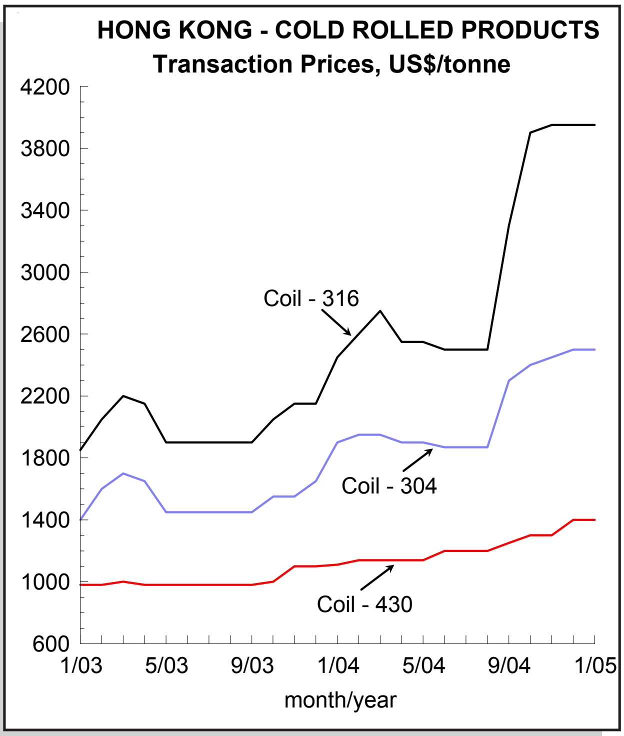
Demand for cold rolled material in the US is quite slow. For the service centres, orders are more difficult to obtain. Material from foreign sources, particularly the Far East, is now much more plentiful. Agreed basis values are slightly lower this month.

Japanese type 304 figures are ¥5000 per tonne down on last month as Nippon Steel and Sumikin Stainless link the price of nickel to selling values. For similar reasons, prices for grade 316 increased due to higher molybdenum costs. Ferritic numbers were unmoved.

In South Korea, the nickel premium added to transaction prices in November, was eroded due to a decrease in the LME figure towards the end of the year. Our tabled numbers are KRW150,000 per tonne lower. There are rumours of an increase in values later in the year. Demand is flat.

Taiwanese exports to China are slowing down due to oversupply in that market. This could have a negative effect on local inventories and, subsequently, price levels. Excess capacity for cold rolled material has developed in the Chinese market. The local price is now near to $US2400 but imports to Hong Kong are still at the December level.

The basis price trend in Germany is downwards for the austenitic grades. Agreed basis figures for the ferritics are unchanged. The alloy surcharges are also stable. French austenitic basis prices have fallen this month by €30 per tonne. This is the second decrease since November 2004. The ferritics suffered a smaller reduction. In Italy, basis values for the austenitic grades are lower this month. The 400 series materials are



unmoved. Availability is easier for all specifications. There is an expectation in the market of further falls during the first half.

UK basis figures are stable. However, importers are reported to be more flexible on price and could gain a greater market share over the next few months unless the local mill decides to compete. Spanish basis prices are under negative pressure from Far Eastern and EU suppliers. This month's basis figures have declined.

Swedish negotiated austenitic basis numbers are lower this month. Competition from foreign mills is increasing. Demand is reasonable. Grade 304 prices are down in the Netherlands this month. Further decreases are anticipated. Danish demand is fair but austenitic agreed basis values have fallen. This is likely to be the result of buyers holding back on orders due to mounting inventories. The consensus view is for further decreases.

LONG PRODUCTS

LONG PRODUCTS - NEGOTIATED TRANSACTION PRICE TRENDS* - HONG KONG ($US/tonne)

* LOW PRICES

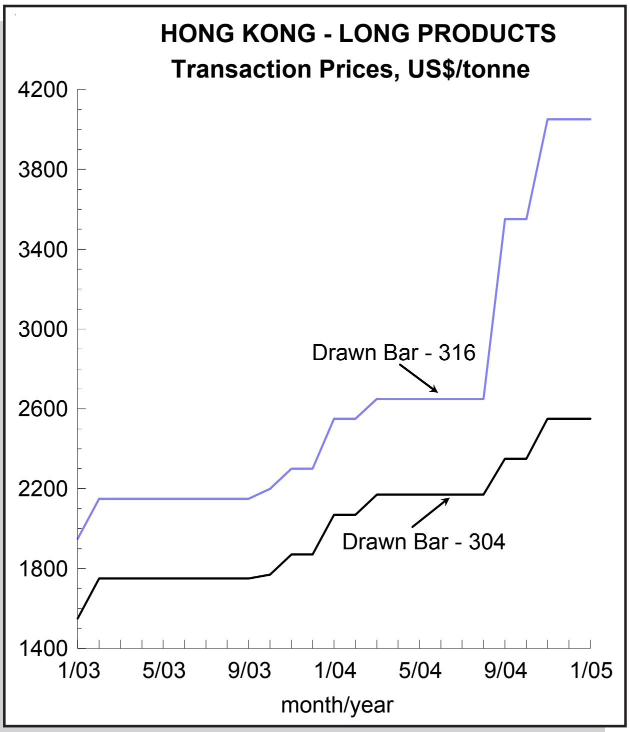
	2003	2004				2005
PRODUCT	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1 ESTIMATE**
Drawn Bar Grade 304	1837	2103	2170	2230	2483	2550
Drawn Bar Grade 316	2267	2583	2650	2950	3883	4050
Peeled Bar Grade 304	-----	-----	-----	-----	-----	-----
Peeled Bar Grade 316	-----	-----	-----	-----	-----	-----

US demand is a little quieter. Inventories are reported to be higher but not yet excessive. The domestic producers have not decreased basis prices. Type 304 alloy surcharges are 10 percent lower, whilst grade 316 is 6 percent higher this month.

Asian transaction prices are stable. The increasing molybdenum cost has led to a weakening demand for type 316. Very few service centres are prepared to keep stocks - fearing future substantial price declines. Taiwanese supply is rising. The wire rod market has, been the subject of significantly increasing volumes of imports from South Korean and Japanese suppliers. This may result in anti-dumping suits being filed unless action is taken to voluntary control the situation.

German demand is flat. Distributors have been decreasing their stock levels. So far, this has had little impact on negotiated basis figures. In France, alloy surcharges have been adjusted to levels close to their main competitors.

Swedish activity is relatively weak. Basis prices are under negative pressure. A decrease in future negotiations is a distinct possibility. Business in the Netherlands has been slow since the turn of the year. Basis prices for the first quarter could, however, hold up. Danish basis figures are unchanged. Pressure on prices from Far East imports is minimal.



MONTHLY DRAWN BAR - NEGOTIATED TRANSACTION PRICES (GRADE 304)

INCLUDING ALLOY SURCHARGE WHERE APPLICABLE.

		2004						2005
		JUL	**AUG**	**SEP**	**OCT**	**NOV**	**DEC**	**JAN**
United States ($US) per tonne	High:	2713	2713	3226	3116	3152	3284	3262
	Low:	2613	2613	3126	3016	3052	3184	3162
Japan ('000 Yen) per tonne	High:	270	270	305	305	305	305	305
	Low:	255	255	295	295	295	295	295
E.U. Average (€) per tonne	High:	2339	2347	2555	2568	2529	2594	2545
	Low:	2280	2288	2496	2509	2471	2535	2486

NEGOTIATED DOMESTIC PRICES - LONG PRODUCTS

Note:- * Import Prices

		Drawn Bar				Peeled Bar			
		Grade 304		Grade 316		Grade 304		Grade 316	
		Low	High	Low	High	Low	High	Low	High
U.S.A.	Market	**1873**	**1964**	**2282**	**2373**	**1686**	**1818**	**2145**	**2273**
(US$)	Surcharge	**1002**	**1002**	**2064**	**2064**	**1002**	**1002**	**2064**	**2064**
per ton	Transaction	**2875**	**2966**	**4346**	**4437**	**2688**	**2820**	**4209**	**4337**
U.S.A.	Market	2060	2160	2510	2610	1855	2000	2360	2500
(US$)	Surcharge	1102	1102	2270	2270	1102	1102	2270	2270
per tonne	Transaction	3162	3262	4780	4880	2957	3102	4630	4770
Japan	Market	295	305	395	405	-	-	-	-
(‘000 YEN)	Surcharge	0	0	0	0	-	-	-	-
per tonne	Transaction	295	305	395	405	-	-	-	-
South Korea	Market	3000	3200	4300	4500	3450	3700	4400	4800
(‘000 KRW)	Surcharge	0	0	0	0	0	0	0	0
per tonne	Transaction	3000	3200	4300	4500	3450	3700	4400	4800
Taiwan	Market	92.0	94.0	133.0	135.0	91.0	93.0	132.0	134.0
(‘000$NT)	Surcharge	0	0	0	0	0	0	0	0
per tonne	Transaction	92.0	94.0	133.0	135.0	91.0	93.0	132.0	134.0
Hong Kong*	Market	2550	2700	4050	4200	-	-	-	-
(US$)	Surcharge	0	0	0	0	-	-	-	-
per tonne	Transaction	2550	2700	4050	4200	-	-	-	-
Germany	Market	1285	1315	1700	1800	1145	1175	1570	1620
(€)	Surcharge	1250	1250	2950	2950	1110	1110	2625	2625
per tonne	Transaction	2535	2565	4650	4750	2255	2285	3795	4245
France	Market	1220	1280	1540	1600	1090	1160	1450	1500
(€)	Surcharge	1250	1250	3000	3000	1111	1111	2666	2666
per tonne	Transaction	2470	2530	4540	4600	2201	2271	4116	4166
Italy	Market	1240	1300	1600	1650	1215	1300	1575	1625
(€)	Surcharge	1250	1250	2950	2950	1110	1110	2620	2620
per tonne	Transaction	2490	2550	4550	4600	2325	2410	4195	4245
UK	Market	790	820	900	930	770	800	860	880
(£)	Surcharge	923	923	2259	2259	821	821	2008	2008
per tonne	Transaction	1713	1743	3159	3189	1591	1621	2868	2888
Spain	Market	1270	1370	1610	1700	1145	1235	1500	1600
(€)	Surcharge (E)	1240	1240	2900	2900	1100	1100	2610	2610
per tonne	Transaction	2510	2610	4510	4600	2245	2335	4110	4210
Sweden	Market	12315	12515	14700	15100	10350	10880	12700	12900
(SKR)	Surcharge	10420	10420	26780	26780	9260	9260	23810	23810
per tonne	Transaction	22735	22935	41480	41880	19610	20140	36510	36710
Netherlands*	Market	1205	1260	1545	1660	1170	1210	1450	1550
(€)	Surcharge	1248	1248	2990	2990	1109	1109	2657	2657
per tonne	Transaction	2453	2508	4535	4650	2279	2319	4107	4207
Denmark*	Market	10300	10500	13100	13300	9100	9500	12000	12200
(DKR)	Surcharge	9295	9295	21935	21935	8255	8255	19520	19520
per tonne	Transaction	19595	19795	35035	35235	17355	17755	31520	31720

INDUSTRY MATTERS

CAPACITY/INVESTMENT

Outokumpu is to increase the capability of its stainless steel cold rolling facility at Kloster in Sweden. A new 20,000 tonne per year cold rolling mill will be installed – lifting total annual capacity to 45,000 tonnes. It will be up and running before the end of 2006.

South West Stainless Ltd, a new private company in China, recently started construction of a stainless steel plant. It will include an electric arc furnace, a refining furnace and a continuous caster. Annual capacity of the first phase, which is due to be completed about August 2005, will be around 200,000 tonnes. Installation of a 200,000 tonne per year hot rolling mill is also proposed.

ThyssenKrupp Nirosta is investing €7.0 million to expand production and finishing capacity at its Ebor stainless steel service centre at Sachsenheim in Germany. Construction will start this month and be completed towards the end of the year.

JOINT VENTURES/ACQUISITIONS

Qingdao Posco Stainless Steel, the JV between China's Qingdao Steel and Korea's Posco, which is located in northern China, started commercial production in December. The 180,000 tonne per year stainless cold strip mill will produce 300 and 400 series.

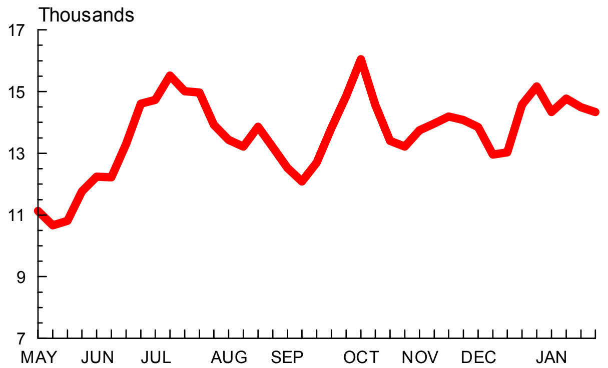
Shanghai Krupp Stainless Steel, the joint venture between ThyssenKrupp and Baosteel, has started trials on its second cold rolling mill. It will take 3 to 6 months to reach full production. Output from the new Sundwig mill will be mainly 304 and 430 grades. The first and second mills each have an annual capacity of around 95,000 tonnes.

STAINLESS STEEL PRODUCTION - CRUDE STEEL EQUIVALENT ('000 TONNES)

				2003		2004			
	2002	**2003**	**2004(f)**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3(e)**	**Q4(f)**
European Union	7950	8420	8615	1830	2120	2200	2325	1950	2140
Japan	3785	4010	3975	990	1000	1020	985	970	1000
United States	2180	2210	2245	520	580	585	555	535	570
South Korea	1520	1845	2195	460	555	550	525	550	570
Taiwan	1180	1440	1510	340	335	390	400	360	360
Others*	2085	2600	2710	650	710	665	675	685	685
Total W. World+	18700	20525	21250	4790	5300	5410	5465	5050	5325
China/Russia	650	2200	2400	560	570	580	590	600	630
Global Total	**19350**	**22725**	**23650**	**5350**	**5870**	**5990**	**6055**	**5650**	**5955**

Note:- * - Others include India, Brazil, Canada, South Africa and other Western Europe. (e) - ESTIMATE. (f) - FORECAST. + - excludes CIS and PR China.

Average Weekly Nickel Prices - LME 3 months $US/tonne



RAW MATERIAL CONVERSION MARGIN GRADE 304 COLD ROLLED COIL

COUNTRY		Last Month	This Month
United States	$US/tonne	1204.5	1126.8
Japan	'000 YEN/tonne	130.2	121.8
Germany	€/tonne	1074.3	1013.8

Definition - The conversion margin is the difference between current transaction price and the intrinsic value of the raw materials.

PRODUCT AND PRICE DEFINITIONS

PRODUCTS

Hot Rolled Wide Coil - Grades 304 and 316 in standard widths and finish. Thickness:- 3-12mm (except USA at 0.125 to 0.5 inches).

Hot Rolled Quarto Plate - Grades 304 and 316 in standard widths, length and finish. Thickness:- 13mm and above (except USA at 0.5 inches and above).

Cold Rolled Wide Coils - Grades 304, 316, 409 and 430 in standard widths. Thickness:- 2mm (except USA at 0.10 inches). Finish:- 430 - BA finish except USA and Hong Kong which is 2B. 304-316 - 2B all countries.

Bright Drawn Bar - Grades 304 and 316 : Diameter:- 25mm (except USA at 1 inch).

Peeled/Rough Turned Bar - Grades 304 and 316 : Diameter:- 50-100mm (except USA at 2-4 inches). South Korean figures are for precision bar.

PRICES

All prices in this publication relate to those to be paid by consumers and stockholders for prime material, ex mill. Prices are for regular business between customers and their local steel mills negotiated during the month for delivery in the short/medium term. Delivery charges and local taxes are excluded. Contract deals arranged in the domestic market or special negotiations for quantities of imported material are also excluded.

Market Price can be defined as our analysis of the value negotiated for the products specified above - including extras for grade and form of supply.

Transaction Price is the total amount to be paid for the specified product - including alloy surcharges or alloy adjustment factor (if applicable).

All price and market information is researched by MEPS staff and our local correspondents. High and low values are provided to reflect the range of prices between major and minor customers. **Price tables relate to deliveries in different time periods. It is important these are read in conjunction with the text in the newsletter.**

Please Note: the reference for steel prices differs, slightly, in the various regions of the world:

Japan - In this publication, market price relates to spot deals negotiated between the mills and consumers or first tier service centres

South Korea - The low price relates to deals between the mills and large steel consumers. The high price refers to ex-stock mill sales through selected outlets

The data contained in this newsletter has been obtained from respondents who we consider provide accurate intelligence on the steel market. We make our best endeavours to be assured that the information is correct and that our analysis is reliable. MEPS (International) LTD cannot be made liable for any loss resulting from use of our published data, however it may arise.

The February issue of the MEPS Stainless Steel Review will be despatched on February 28, 2005.

CURRENCY EXCHANGE RATES
January 4 - 2005

		Units/ US$
USA	**($US)**	1.00
Japan	**(Yen)**	104.3
South Korea	**(KRw)**	1038
Taiwan	**($NT)**	31.79
Hong Kong	**($US)**	1.00
Eurozone	**(€)**	0.752
UK	**(£)**	0.531
Sweden	**(SKr)**	6.814
Denmark	**(DKr)**	5.593