

STAINLESS STEEL REVIEW

KEYNOTE

JULY 2015

WORLD STAINLESS STEEL OUTPUT SET FOR SMALL INCREASE IN 2015

Global crude stainless steel production is predicted to reach a new record annual total of 42.2 million tonnes, in 2015. This would exceed the previous high figure, set last year, by 1.2 percent. The total has been revised downward, slightly, since our last forecast. This follows some lower than expected results during the

first quarter of this year – particularly from China.

The 2015 total production for that country is now expected to turn out at 22.15 million tonnes. While this represents a year-on-year increase of 2.1 percent, it is substantially lower

COMPARISON OF NEGOTIATED DOMESTIC TRANSACTION PRICES (US\$/metric ton)

| PRODUCT: | Hot Rolled Coil | | Hot Rolled Plate | | Cold Rolled Coil | | | | Drawn Bar | | Peeled Bar | |
|--------------|-----------------|------|------------------|------|------------------|------|------|------|-----------|------|------------|------|
| | 304 | 316 | 304 | 316 | 304 | 316 | 409 | 430 | 304 | 316 | 304 | 316 |
| USA | 2165 | 2960 | 2680 | 3475 | 2345 | 3140 | 1675 | 1720 | 3060 | 4110 | 3560 | 4520 |
| Japan | 2236 | 3130 | 3049 | 3943 | 2480 | 3496 | — | 2195 | — | — | — | — |
| South Korea | 2044 | 3378 | 2196 | 3333 | 2267 | 3600 | 2151 | 2204 | 2969 | 4382 | 2747 | 4160 |
| Taiwan | 1778 | 2877 | 2117 | 3749 | 1907 | 3022 | — | 1665 | 3119 | 3878 | 3216 | 3992 |
| China | 1665 | 2615 | 1960 | 2910 | 1800 | 2750 | — | 910 | 2175 | 2795 | — | — |
| EU (average) | 2285 | 3259 | 2592 | 3565 | 2449 | 3428 | 1610 | 1605 | 2669 | 3783 | 2408 | 3446 |
| Germany | 2315 | 3276 | 2592 | 3553 | 2481 | 3442 | 1653 | 1636 | 2622 | 3731 | 2395 | 3420 |
| France | 2287 | 3236 | 2564 | 3458 | 2453 | 3391 | 1612 | 1592 | 2601 | 3724 | 2473 | 3483 |
| Italy | 2244 | 3217 | 2610 | 3605 | 2410 | 3395 | 1531 | 1510 | 2650 | 3780 | 2350 | 3392 |
| UK | 2388 | 3398 | 2677 | 3578 | 2567 | 3594 | 1748 | 1767 | 2867 | 4008 | 2508 | 3570 |
| Spain | 2214 | 3203 | 2541 | 3663 | 2358 | 3347 | 1513 | 1529 | 2603 | 3675 | 2317 | 3361 |
| Sweden | 2363 | 3304 | 2679 | 3609 | 2519 | 3459 | 1599 | 1716 | 2884 | 4067 | 2640 | 3717 |
| Netherlands | 2265 | 3236 | 2564 | 3486 | 2420 | 3402 | — | 1614 | 2629 | 3680 | 2429 | 3411 |
| Denmark | 2303 | 3263 | 2647 | 3606 | 2469 | 3429 | — | — | 2786 | 3820 | 2477 | 3409 |

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 dollars at this month's rate.

ISSN 1460 - 2628

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than the figure forecast three months ago. Demand for Chinese stainless steel has been negatively affected by disappointing consumption, at home and abroad, as well as by antidumping measures in Europe.

After recovering, in 2014, to record a year-on-year increase of 5 percent, to 3.33 million tonnes, Japanese output is predicted to fall back by 3 percent, this year, to total 3.23 million tonnes.

Following better than expected results in the first half of 2015, we now forecast an annual outturn of 1.17 million tonnes, in Taiwan. While this represents a 5.2 percent advance on last year's number, it is almost 65 percent less than the peak figure, achieved in 2006.

South Korea's output has also slightly exceeded expectations during the early part of this year. Accordingly, we have adjusted our forecast, positively, to 2.08 million tonnes – an increase of 2.8 percent over last year's total.

The prediction for annual crude stainless steel output in the United States remains at 2.4 million tonnes. This equates to a 0.4 percent increase, compared with the 2014 total.

EU production has been below previous expectations during the first half of 2015, despite reduced competition from imports from the Far East. As a result, our forecast for this year's total outturn is downgraded to 7.18 million tonnes, which would be nearly one percent less than the 2014 figure.

FLAT PRODUCTS

HOT ROLLED COIL AND PLATE

Business activity is at a lower level than usual, for the time of year, in the United States. Falling prices are making buyers more cautious. Imports from Asia, with long delivery lead times, are unattractive, while domestic selling values are depressed. Market participants do not anticipate any significant pickup in sales volumes, in the short term.

The leading Japanese stainless steel producer, NSSC, cut its list price for austenitic hot rolled plate by ¥5,000 per tonne, this month, to take account of lower nickel costs. The steelmaker's mill at Yawata is reported to be operating at its maximum capacity. Persistent offers of cheap, imported material have undermined South Korean suppliers' attempts to raise their selling figures. In fact, market values have slipped, in July.

The major mills in Taiwan continue to operate at output levels of around 80 percent of their maximum capabilities. Order intake is reported to be increasing. China's economy expanded more quickly than had been expected, during the second quarter of 2015, boosted by the government's stimulus measures. Nevertheless, growth is at its lowest level for six years. Stainless steel buying activity has dropped. Coil inventories have been reduced ahead of the summer period, when lower consumption is forecast.

Demand remains subdued, in Europe. The current, low price level has had a negative effect on buyers' confidence. Despite this, many deliveries from regional plate producers are overdue – mills are undermanned but they are unwilling to employ more workers in the present business climate. Hot rolled coil shipments into Italy, from China, have not increased

STAINLESS STEEL ALLOY SURCHARGES - FLAT PRODUCTS

| | Actual | | | | | | Estimate | | |
|---------------------|--------|--------|--------|--------|--------|--------|----------|--------|--------|
| | Feb-15 | Mar-15 | Apr-15 | May-15 | Jun-15 | Jul-15 | Aug-15 | Sep-15 | Oct-15 |
| CR Coil 304 | | | | | | | | | |
| USA \$/short ton | 1406 | 1302 | 1225 | 1134 | 1184 | 1143 | 1039 | 966 | 971 |
| USA \$/metric ton | 1550 | 1435 | 1350 | 1250 | 1305 | 1260 | 1145 | 1065 | 1070 |
| EU-Avg €/metric ton | 1269 | 1305 | 1299 | 1245 | 1256 | 1216 | 1140 | 1085 | 1070 |
| CR Coil 316 | | | | | | | | | |
| USA \$/short ton | 1891 | 1742 | 1642 | 1529 | 1569 | 1501 | 1311 | 1229 | 1247 |
| USA \$/metric ton | 2085 | 1920 | 1810 | 1685 | 1730 | 1655 | 1445 | 1355 | 1375 |
| EU-Avg €/metric ton | 1863 | 1894 | 1875 | 1815 | 1796 | 1730 | 1575 | 1520 | 1515 |

NEGOTIATED DOMESTIC PRICES - HOT ROLLED PRODUCTS

| | | Hot Rolled Coil | | | | Hot Rolled Plate | | | |
|--|-------------------|-----------------|-------|-----------|-------|------------------|-------|-----------|-------|
| | | Grade 304 | | Grade 316 | | Grade 304 | | Grade 316 | |
| | | Low | High | Low | High | Low | High | Low | High |
| USA (US\$) /short ton | Negotiated Basis | 823 | 932 | 1186 | 1295 | 1291 | 1400 | 1655 | 1764 |
| | Surcharge | 1145 | 1145 | 1505 | 1505 | 1145 | 1145 | 1505 | 1505 |
| | Transaction | 1968 | 2077 | 2691 | 2800 | 2436 | 2545 | 3160 | 3269 |
| USA (US\$) /metric ton | Negotiated Basis | 905 | 1025 | 1305 | 1425 | 1420 | 1540 | 1820 | 1940 |
| | Surcharge | 1260 | 1260 | 1655 | 1655 | 1260 | 1260 | 1655 | 1655 |
| | Transaction | 2165 | 2285 | 2960 | 3080 | 2680 | 2800 | 3475 | 3595 |
| Japan (‘000 Yen) /metric ton | Negotiated Market | 275 | 295 | 385 | 405 | 375 | 395 | 485 | 505 |
| | Surcharge | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Transaction | 275 | 295 | 385 | 405 | 375 | 395 | 485 | 505 |
| South Korea (‘000 KRW) /metric ton | Negotiated Market | 2300 | 2400 | 3800 | 4030 | 2470 | 2600 | 3750 | 3900 |
| | Surcharge | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Transaction | 2300 | 2400 | 3800 | 4030 | 2470 | 2600 | 3750 | 3900 |
| Taiwan (‘000 NT\$) /metric ton | Negotiated Market | 55.0 | 58.0 | 89.0 | 91.0 | 65.5 | 68.5 | 116.0 | 119.0 |
| | Surcharge | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Transaction | 55.0 | 58.0 | 89.0 | 91.0 | 65.5 | 68.5 | 116.0 | 119.0 |
| China (US\$) /metric ton | Negotiated Market | 1665 | 1765 | 2615 | 2715 | 1960 | 2060 | 2910 | 3030 |
| | Surcharge | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Transaction | 1665 | 1765 | 2615 | 2715 | 1960 | 2060 | 2910 | 3030 |
| Germany (€) /metric ton | Negotiated Basis | 850 | 950 | 1200 | 1250 | 1100 | 1200 | 1450 | 1550 |
| | Surcharge | 1238 | 1238 | 1755 | 1755 | 1238 | 1238 | 1755 | 1755 |
| | Transaction | 2088 | 2188 | 2955 | 3005 | 2338 | 2438 | 3205 | 3305 |
| France (€) /metric ton | Negotiated Basis | 870 | 920 | 1220 | 1270 | 1120 | 1220 | 1420 | 1520 |
| | Surcharge | 1193 | 1193 | 1699 | 1699 | 1193 | 1193 | 1699 | 1699 |
| | Transaction | 2063 | 2113 | 2919 | 2969 | 2313 | 2413 | 3119 | 3219 |
| Italy (€) /metric ton | Negotiated Basis | 790 | 860 | 1150 | 1250 | 1120 | 1220 | 1500 | 1550 |
| | Surcharge | 1234 | 1234 | 1752 | 1752 | 1234 | 1234 | 1752 | 1752 |
| | Transaction | 2024 | 2094 | 2902 | 3002 | 2354 | 2454 | 3252 | 3302 |
| UK (£) /metric ton | Negotiated Basis | 635 | 685 | 910 | 960 | 820 | 890 | 1025 | 1105 |
| | AA Factor | 893 | 893 | 1265 | 1265 | 893 | 893 | 1265 | 1265 |
| | Transaction | 1528 | 1578 | 2175 | 2225 | 1713 | 1783 | 2290 | 2370 |
| Spain (€) /metric ton | Negotiated Basis | 820 | 860 | 1200 | 1300 | 1115 | 1165 | 1615 | 1715 |
| | Surcharge | 1177 | 1177 | 1689 | 1689 | 1177 | 1177 | 1689 | 1689 |
| | Transaction | 1997 | 2037 | 2889 | 2989 | 2292 | 2342 | 3304 | 3404 |
| Sweden (SEK) /metric ton | Negotiated Basis | 8235 | 8485 | 11290 | 11940 | 10875 | 11875 | 13835 | 14635 |
| | AA Factor | 11494 | 11494 | 16293 | 16293 | 11494 | 11494 | 16293 | 16293 |
| | Transaction | 19729 | 19979 | 27583 | 28233 | 22369 | 23369 | 30128 | 30928 |
| Netherlands (€) /metric ton | Negotiated Basis | 850 | 890 | 1220 | 1270 | 1120 | 1160 | 1445 | 1495 |
| | Surcharge | 1193 | 1193 | 1699 | 1699 | 1193 | 1193 | 1699 | 1699 |
| | Transaction | 2043 | 2083 | 2919 | 2969 | 2313 | 2353 | 3144 | 3194 |
| Denmark (DKK) /metric ton | Negotiated Basis | 6265 | 6665 | 8875 | 9375 | 8585 | 9085 | 11185 | 11485 |
| | Surcharge | 9234 | 9234 | 13088 | 13088 | 9234 | 9234 | 13088 | 13088 |
| | Transaction | 15499 | 15899 | 21963 | 22463 | 17819 | 18319 | 24273 | 24573 |

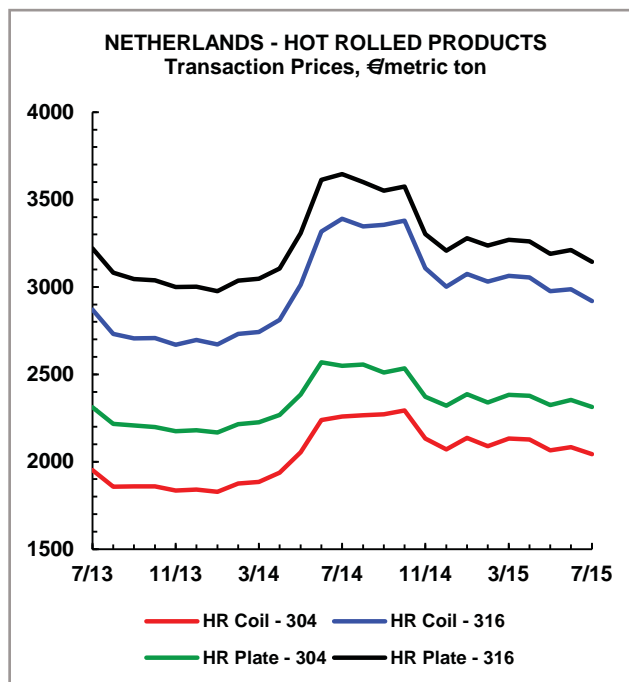
substantially since the antidumping measures on cold rolled material were introduced. The price differential between locally produced hot rolled and cold rolled coil, in Italy, is reported to be growing.

In the United Kingdom, demand from the automotive sector is strong and some white goods manufacturers are busy. Otherwise, consumption is poor. Stockists report slow day-to-day business. Selling values are depressed and traders are struggling to sell material at more than cost. Purchasing activity has picked up, a little, in Spain but remains at a lower level than at the same time, last year.

In Sweden, delivery lead times are stretching, although the underlying demand for flat stainless steel products is steady. There has been no significant change in order tonnages or basis values – in euro equivalent terms. In the Netherlands, order tonnages recorded a temporary upturn before the summer holidays but this has receded. Sellers are hoping for a revival in the market after the vacation period. Sales volumes are typically subdued for the holiday season, in Denmark. Underlying consumption, in the region, is fair but profit margins are small.

COLD ROLLED COIL

Business activity is disappointing throughout the supply chain, in the United States, although some mills report that their schedules are becoming fuller. Most market participants are operating on a hand-to-mouth basis. Destocking programmes are expected to extend into the final quarter of this year. Basis prices continue to slide. Chinese producers are making very aggressive offers. US mills are contemplating requesting antidumping action against



Asian suppliers.

In Japan, list prices for 300 series coils, from leading domestic producers, remain unchanged but market values have dropped by ¥10,000 per tonne, since June. Ferritic figures are unaltered. NSSC's mills are currently fully engaged in supplying regular customers but they expect spot order volumes to increase, in the short term. Selling values for austenitic coils continue to slip, in South Korea. As a result of the current, depressed nickel cost, many stainless steel buyers are choosing austenitic grades, rather than martensitic. Low-priced coil from China is prevalent in the South Korean market. Local producer, Posco, is considering filing an antidumping case, relating to

FLAT PRODUCTS DOMESTIC TRANSACTION PRICE FORECASTS - EU (€/metric ton)

BASED ON LOW PRICES
INCLUDING ALLOY SURCHARGE
WHERE APPLICABLE

| | Actual | | Forecast | | | | |
|---------------------|--------|--------|----------|--------|--------|--------|--------|
| | Jul-15 | Aug-15 | Sep-15 | Oct-15 | Nov-15 | Dec-15 | Jan-16 |
| HR Coil 304 | 2061 | 1990 | 1940 | 1920 | 1950 | 1920 | 1980 |
| HR Coil 316 | 2940 | 2790 | 2740 | 2730 | 2770 | 2740 | 2820 |
| HR Plate 304 | 2338 | 2270 | 2220 | 2200 | 2230 | 2200 | 2260 |
| HR Plate 316 | 3216 | 3070 | 3030 | 3010 | 3040 | 3020 | 3100 |
| CR Coil 304 | 2209 | 2140 | 2090 | 2070 | 2100 | 2070 | 2130 |
| CR Coil 316 | 3092 | 2940 | 2890 | 2880 | 2920 | 2890 | 2970 |
| CR Coil 430 | 1448 | 1450 | 1450 | 1450 | 1445 | 1445 | 1460 |

NEGOTIATED DOMESTIC PRICES - COLD ROLLED PRODUCTS

| | | Cold Rolled Coil | | | | | | | |
|---|-------------------|------------------|-------|-----------|-------|-----------|-------|-----------|-------|
| | | Grade 304 | | Grade 316 | | Grade 409 | | Grade 430 | |
| | | Low | High | Low | High | Low | High | Low | High |
| USA (US\$) /short ton | Negotiated Basis | 986 | 1095 | 1350 | 1459 | 1227 | 1318 | 1182 | 1273 |
| | Surcharge | 1145 | 1145 | 1505 | 1505 | 295 | 295 | 382 | 382 |
| | Transaction | 2131 | 2240 | 2855 | 2964 | 1522 | 1613 | 1564 | 1655 |
| USA (US\$) /metric ton | Negotiated Basis | 1085 | 1205 | 1485 | 1605 | 1350 | 1450 | 1300 | 1400 |
| | Surcharge | 1260 | 1260 | 1655 | 1655 | 325 | 325 | 420 | 420 |
| | Transaction | 2345 | 2465 | 3140 | 3260 | 1675 | 1775 | 1720 | 1820 |
| Japan ('000 Yen) /metric ton | Negotiated Market | 241 | 271 | 356 | 396 | - | - | 255 | 260 |
| | Surcharge | 64 | 64 | 74 | 74 | - | - | 15 | 15 |
| | Transaction | 305 | 335 | 430 | 470 | - | - | 270 | 275 |
| South Korea ('000 KRW) /metric ton | Negotiated Market | 2550 | 2675 | 4050 | 4250 | 2420 | 2520 | 2480 | 2510 |
| | Surcharge | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Transaction | 2550 | 2675 | 4050 | 4250 | 2420 | 2520 | 2480 | 2510 |
| Taiwan ('000 NT\$) /metric ton | Negotiated Market | 59.0 | 62.0 | 93.5 | 96.5 | - | - | 51.5 | 54.5 |
| | Surcharge | 0 | 0 | 0 | 0 | - | - | 0 | 0 |
| | Transaction | 59.0 | 62.0 | 93.5 | 96.5 | - | - | 51.5 | 54.5 |
| China (US\$) /metric ton | Negotiated Market | 1800 | 1910 | 2750 | 2870 | - | - | 910 | 1070 |
| | Surcharge | 0 | 0 | 0 | 0 | - | - | 0 | 0 |
| | Transaction | 1800 | 1910 | 2750 | 2870 | - | - | 910 | 1070 |
| Germany (€) /metric ton | Negotiated Basis | 1000 | 1100 | 1350 | 1450 | 1090 | 1140 | 990 | 1040 |
| | Surcharge | 1238 | 1238 | 1755 | 1755 | 401 | 401 | 486 | 486 |
| | Transaction | 2238 | 2338 | 3105 | 3205 | 1491 | 1541 | 1476 | 1526 |
| France (€) /metric ton | Negotiated Basis | 1020 | 1070 | 1360 | 1410 | 1080 | 1130 | 970 | 1020 |
| | Surcharge | 1193 | 1193 | 1699 | 1699 | 374 | 374 | 466 | 466 |
| | Transaction | 2213 | 2263 | 3059 | 3109 | 1454 | 1504 | 1436 | 1486 |
| Italy (€) /metric ton | Negotiated Basis | 940 | 990 | 1310 | 1360 | 975 | 1025 | 875 | 925 |
| | Surcharge | 1234 | 1234 | 1752 | 1752 | 406 | 406 | 487 | 487 |
| | Transaction | 2174 | 2224 | 3062 | 3112 | 1381 | 1431 | 1362 | 1412 |
| UK (£) /metric ton | Negotiated Basis | 750 | 820 | 1035 | 1095 | 830 | 860 | 780 | 805 |
| | AA Factor | 893 | 893 | 1265 | 1265 | 289 | 289 | 351 | 351 |
| | Transaction | 1643 | 1713 | 2300 | 2360 | 1119 | 1149 | 1131 | 1156 |
| Spain (€) /metric ton | Negotiated Basis | 950 | 1000 | 1330 | 1380 | 1010 | 1040 | 927 | 957 |
| | Surcharge | 1177 | 1177 | 1689 | 1689 | 355 | 355 | 452 | 452 |
| | Transaction | 2127 | 2177 | 3019 | 3069 | 1365 | 1395 | 1379 | 1409 |
| Sweden (SEK) /metric ton | Negotiated Basis | 9535 | 10035 | 12585 | 13085 | 9625 | 9755 | 9810 | 10560 |
| | AA Factor | 11494 | 11494 | 16293 | 16293 | 3726 | 3726 | 4515 | 4515 |
| | Transaction | 21029 | 21529 | 28878 | 29378 | 13351 | 13481 | 14325 | 15075 |
| Netherlands (€) /metric ton | Negotiated Basis | 990 | 1040 | 1370 | 1470 | - | - | 990 | 1030 |
| | Surcharge | 1193 | 1193 | 1699 | 1699 | - | - | 466 | 466 |
| | Transaction | 2183 | 2233 | 3069 | 3169 | - | - | 1456 | 1496 |
| Denmark (DKK) /metric ton | Negotiated Basis | 7385 | 8185 | 9995 | 10795 | - | - | - | - |
| | Surcharge | 9234 | 9234 | 13088 | 13088 | - | - | - | - |
| | Transaction | 16619 | 17419 | 23083 | 23883 | - | - | - | - |

MONTHLY COLD ROLLED - NEGOTIATED DOMESTIC TRANSACTION PRICES (GRADE 304)

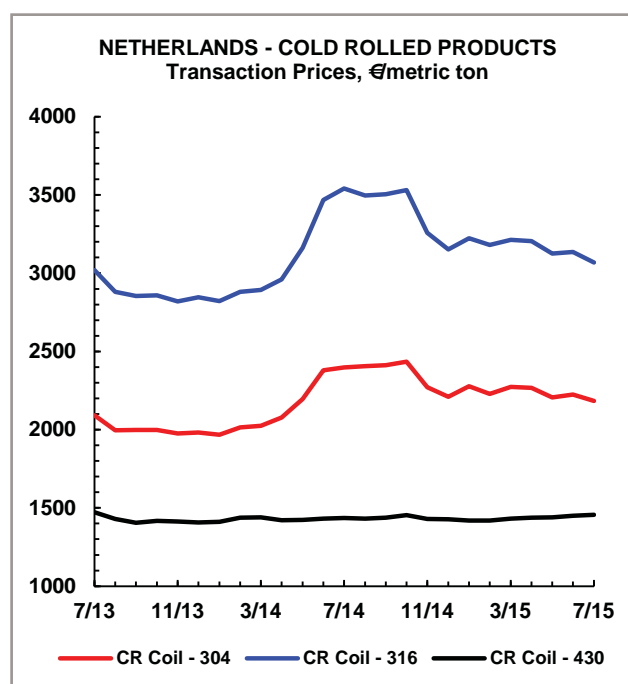
| | | Jan-15 | Feb-15 | Mar-15 | Apr-15 | May-15 | Jun-15 | Jul-15 |
|----------------------|-------------|--------|--------|--------|--------|--------|--------|--------|
| United States | High | 3115 | 2990 | 2875 | 2750 | 2650 | 2705 | 2465 |
| | Low | 2995 | 2870 | 2755 | 2630 | 2530 | 2585 | 2345 |
| Japan | High | 340 | 340 | 340 | 340 | 345 | 345 | 335 |
| | Low | 310 | 310 | 310 | 310 | 315 | 315 | 305 |
| EU Average | High | 2357 | 2319 | 2358 | 2359 | 2316 | 2327 | 2279 |
| | Low | 2289 | 2250 | 2288 | 2290 | 2247 | 2258 | 2209 |

the supply of this material.

Selling values for 300 series cold rolled coil softened again, this month, in Taiwan. The mills say that the current figures are close to their costs. They are, therefore, reluctant to concede any further cuts to their list prices. Although output in China has been affected by planned maintenance stoppages in recent months, this has been offset by new production units coming on stream. Local prices have decreased due to falling nickel costs and weak demand.

The German market remains subdued. Basis values are unchanged, for July. The mills have proposed basis figure hikes, in France but these had not been widely accepted, at the time of our research. Consumption is at a below average level. Sales activity is slowing, in Italy. Imports of Chinese coil have almost completely stopped. While EU mills have tried to lift basis prices, market values have, in fact, slipped, this month. Selling figures to end-users have also fallen.

Demand is poor in the United Kingdom. There is fierce competition, between suppliers, for any business that does arise. Buyers' confidence has been adversely affected by the repeated monthly cuts in alloy



surcharges. In Spain, stocks are believed to be at a medium-high level, throughout the supply chain – except for a few, specific grades. The mills are struggling to maintain basis values, which dropped by around €30 per tonne, in July.

Buyers in Sweden brought about an uptick in activity by booking deliveries before the summer holidays. Now, however, they are purchasing only for ad hoc or emergency requirements. The mills are believed to be seeking basis price increases. Business activity is very slow, in the Netherlands, during the summer vacation period. Basis values are stable, while alloy surcharges continue to slide. Some customers in Denmark are placing orders for October delivery. While unchanged basis figures have been agreed for July and August shipments, buyers will need to negotiate, with the mills, for subsequent consignments. Asian suppliers are absent from the market due to antidumping duties and the strong US dollar.

CURRENCY EXCHANGE RATES

| | | US dollars (US\$) | |
|--------------------|-------------|-------------------|-------|
| | | 1-Jun | 1-Jul |
| Japan | Yen | 124.6 | 123.0 |
| South Korea | KRW | 1116 | 1125 |
| Taiwan | NT\$ | 30.87 | 30.94 |
| China | US\$ | 1.000 | 1.000 |
| Eurozone | € | 0.916 | 0.902 |
| UK | £ | 0.659 | 0.640 |
| Sweden | SEK | 8.587 | 8.349 |
| Denmark | DKK | 6.836 | 6.731 |

LONG PRODUCTS

LONG PRODUCTS - NEGOTIATED TRANSACTION PRICE TRENDS - EU (€/metric ton)

| BASED ON LOW PRICES INCLUDING ALLOY SURCHARGE WHERE APPLICABLE | Q2-14 | Q3-14 | Q4-14 | Q1-15 | Q2-15 | Q3-15e |
|--|-------|-------|-------|-------|-------|--------|
| Drawn Bar 304 | 2614 | 2854 | 2708 | 2612 | 2501 | 2310 |
| Drawn Bar 316 | 3738 | 4162 | 3879 | 3699 | 3556 | 3230 |
| Peeled Bar 304 | 2342 | 2557 | 2434 | 2364 | 2257 | 2090 |
| Peeled Bar 316 | 3391 | 3766 | 3516 | 3370 | 3237 | 2950 |

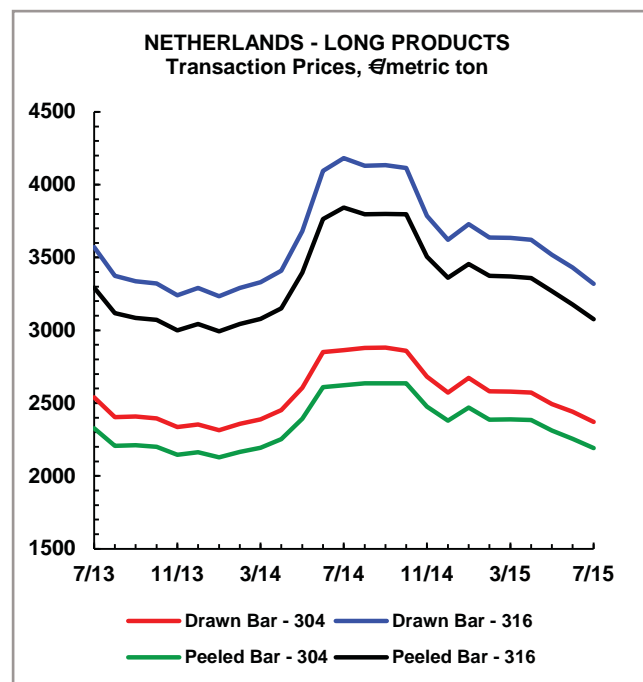
Sales volumes, in the United States, have been reasonable for most of this year but they have dropped off since mid-June. Both the size and number of orders has reduced. Buyers have been discouraged by falling nickel values. To add to the negative sentiment, the leading producer, North American Stainless, unexpectedly announced an increase in the discount to list basis prices.

Effective prices for drawn bar, in France, remain stable at approximately €2350/2450 per tonne, despite the continuing fall in alloy surcharges.

The market, in the United Kingdom, is very quiet. Buyers are delaying placing orders as they await further cuts in alloy surcharges. However, effective prices are, just about, unchanged, for July, in sterling terms. Producers are trying to sell direct to end-users. Supply chain participants do not expect a major upturn, in either consumption or values, in the remainder of this year.

In Spain, despite the continuing slide in the alloy surcharge, effective prices for grade 304 drawn bar slipped by just €50 per tonne, this month, to €2350/2400 per tonne.

Consumption has slowed, in Sweden, as is expected during the summer vacation period. Business activity may pick up, from August onward. Basis values, in July, were stable, in euro equivalent terms.



MONTHLY DRAWN BAR - NEGOTIATED DOMESTIC TRANSACTION PRICES (GRADE 304)

| | | Jan-15 | Feb-15 | Mar-15 | Apr-15 | May-15 | Jun-15 | Jul-15 |
|------------------------|-------------|--------|--------|--------|--------|--------|--------|--------|
| United States | High | 3640 | 3515 | 3450 | 3315 | 3250 | 3265 | 3160 |
| US\$/metric ton | Low | 3540 | 3415 | 3350 | 3215 | 3150 | 3165 | 3060 |
| Asia Average | High | 3053 | 3058 | 3059 | 3053 | 2934 | 2811 | 2863 |
| US\$/metric ton | Low | 2944 | 2949 | 2950 | 2944 | 2823 | 2702 | 2754 |
| EU Average | High | 2727 | 2685 | 2694 | 2663 | 2573 | 2541 | 2499 |
| €/metric ton | Low | 2639 | 2595 | 2603 | 2572 | 2482 | 2449 | 2407 |

NEGOTIATED DOMESTIC PRICES - LONG PRODUCTS

| | | Drawn Bar | | | | Peeled Bar | | | |
|---|-------------------|-----------|-------|-----------|-------|------------|-------|-----------|-------|
| | | Grade 304 | | Grade 316 | | Grade 304 | | Grade 316 | |
| | | Low | High | Low | High | Low | High | Low | High |
| USA (US\$) /short ton | Negotiated Basis | 1805 | 1895 | 2486 | 2577 | 2259 | 2350 | 2859 | 2950 |
| | Surcharge | 977 | 977 | 1250 | 1250 | 977 | 977 | 1250 | 1250 |
| | Transaction | 2782 | 2872 | 3736 | 3827 | 3236 | 3327 | 4109 | 4200 |
| USA (US\$) /metric ton | Negotiated Basis | 1985 | 2085 | 2735 | 2835 | 2485 | 2585 | 3145 | 3245 |
| | Surcharge | 1075 | 1075 | 1375 | 1375 | 1075 | 1075 | 1375 | 1375 |
| | Transaction | 3060 | 3160 | 4110 | 4210 | 3560 | 3660 | 4520 | 4620 |
| Japan (‘000 Yen) /metric ton | Negotiated Market | - | - | - | - | - | - | - | - |
| | Surcharge | - | - | - | - | - | - | - | - |
| | Transaction | - | - | - | - | - | - | - | - |
| South Korea (‘000 KRW) /metric ton | Negotiated Market | 3340 | 3430 | 4930 | 5030 | 3090 | 3300 | 4680 | 4820 |
| | Surcharge | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Transaction | 3340 | 3430 | 4930 | 5030 | 3090 | 3300 | 4680 | 4820 |
| Taiwan (‘000 NT\$) /metric ton | Negotiated Market | 96.5 | 99.5 | 120.0 | 122.0 | 99.5 | 102.5 | 123.5 | 126.5 |
| | Surcharge | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Transaction | 96.5 | 99.5 | 120.0 | 122.0 | 99.5 | 102.5 | 123.5 | 126.5 |
| China (US\$) /metric ton | Negotiated Market | 2175 | 2325 | 2795 | 2925 | - | - | - | - |
| | Surcharge | 0 | 0 | 0 | 0 | - | - | - | - |
| | Transaction | 2175 | 2325 | 2795 | 2925 | - | - | - | - |
| Germany (€) /metric ton | Negotiated Basis | 800 | 850 | 1125 | 1225 | 770 | 820 | 1095 | 1175 |
| | Surcharge | 1565 | 1565 | 2240 | 2240 | 1390 | 1390 | 1990 | 1990 |
| | Transaction | 2365 | 2415 | 3365 | 3465 | 2160 | 2210 | 3085 | 3165 |
| France (€) /metric ton | Negotiated Basis | 725 | 825 | 1050 | 1100 | 790 | 840 | 1090 | 1140 |
| | Surcharge | 1621 | 1621 | 2309 | 2309 | 1441 | 1441 | 2052 | 2052 |
| | Transaction | 2346 | 2446 | 3359 | 3409 | 2231 | 2281 | 3142 | 3192 |
| Italy (€) /metric ton | Negotiated Basis | 820 | 870 | 1160 | 1260 | 720 | 770 | 1060 | 1160 |
| | Surcharge | 1570 | 1570 | 2250 | 2250 | 1400 | 1400 | 2000 | 2000 |
| | Transaction | 2390 | 2440 | 3410 | 3510 | 2120 | 2170 | 3060 | 3160 |
| UK (£) /metric ton | Negotiated Basis | 555 | 705 | 890 | 965 | 465 | 665 | 795 | 855 |
| | AA Factor | 1280 | 1280 | 1675 | 1675 | 1140 | 1140 | 1490 | 1490 |
| | Transaction | 1835 | 1985 | 2565 | 2640 | 1605 | 1805 | 2285 | 2345 |
| Spain (€) /metric ton | Negotiated Basis | 785 | 835 | 1085 | 1135 | 700 | 750 | 1050 | 1150 |
| | Surcharge | 1563 | 1563 | 2230 | 2230 | 1390 | 1390 | 1982 | 1982 |
| | Transaction | 2348 | 2398 | 3315 | 3365 | 2090 | 2140 | 3032 | 3132 |
| Sweden (SEK) /metric ton | Negotiated Basis | 9485 | 9635 | 13095 | 13295 | 9070 | 9270 | 12495 | 12695 |
| | AA Factor | 14590 | 14590 | 20860 | 20860 | 12970 | 12970 | 18540 | 18540 |
| | Transaction | 24075 | 24225 | 33955 | 34155 | 22040 | 22240 | 31035 | 31235 |
| Netherlands (€) /metric ton | Negotiated Basis | 750 | 810 | 1010 | 1100 | 750 | 850 | 1025 | 1075 |
| | Surcharge | 1621 | 1621 | 2309 | 2309 | 1441 | 1441 | 2052 | 2052 |
| | Transaction | 2371 | 2431 | 3319 | 3409 | 2191 | 2291 | 3077 | 3127 |
| Denmark (DKK) /metric ton | Negotiated Basis | 7075 | 7225 | 9000 | 9200 | 6300 | 6700 | 8100 | 8400 |
| | Surcharge | 11676 | 11676 | 16713 | 16713 | 10371 | 10371 | 14847 | 14847 |
| | Transaction | 18751 | 18901 | 25713 | 25913 | 16671 | 17071 | 22947 | 23247 |

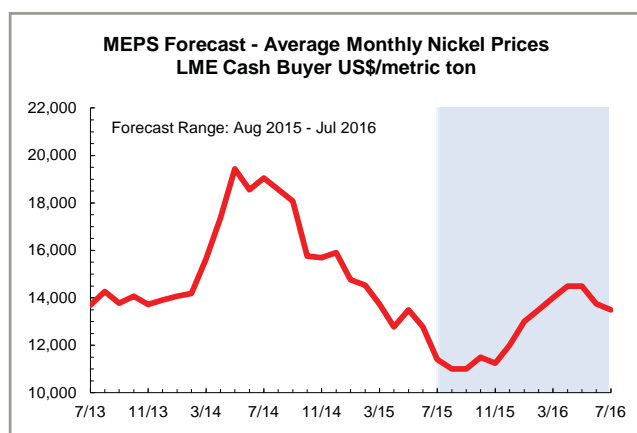
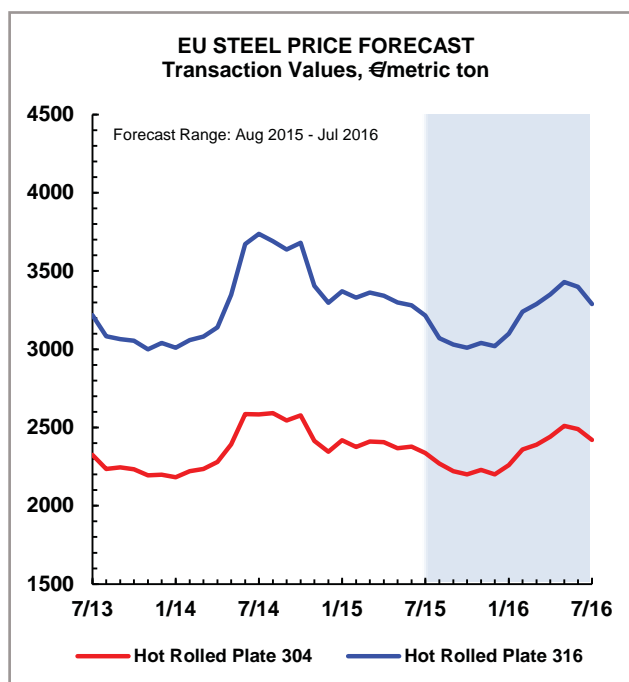
MEDIUM TERM PRICE FORECASTS

STAINLESS STEEL - EU

MEPS - EU Average Hot Rolled Plate, grade 304, transaction values decreased by €40 per tonne, in July. A decline of €65 per tonne was noted for type 316. Falling nickel and molybdenum costs pushed alloy surcharges down this month. Basis numbers were relatively stable across Europe.

Stainless steel selling figures will, almost certainly, drop significantly in August. This is because of large reductions in raw material costs, during the reference period in July. Buying activity, over the summer holiday period, is expected to remain subdued.

Sales volumes are likely to increase in September, when customers purchase for their fourth quarter requirements. However, distributors are expected to keep their inventories to a minimum due to year-end financial constraints. Consequently, EU mills may struggle to lift basis values this year. Transaction figures could, therefore, drift downwards in the short term. A revival in stainless steel prices is predicted for the first half of 2016. Mill input expenditure is forecast to rise in this period.



NICKEL

The July average cash nickel figure has plummeted by almost 11 percent. Data reported from China was weaker than expected. This put negative pressure on the commodity markets, this month. Prices are forecast to remain low in the short term. There is the potential for further decreases, towards US\$10000 per tonne. Reductions in LME inventories could help to stem the price declines. Nevertheless, we foresee little potential for upward movement in nickel values during the remainder of 2015. Some mines are announcing output cuts and closures. These are expected to take some time to filter through to the market due to weak stainless steel demand. However, a seasonal uptick in sales at the beginning of 2016 could lift nickel prices in the first half of next year.

STAINLESS STEEL PRODUCTION - CRUDE STEEL EQUIVALENT ('000 METRIC TONS)

| | 2013 | 2014 | 2015 (f) | Q3-14 | Q4-14 | Q1-15 (e) | Q2-15 (e) | Q3-15 (f) | Q4-15 (f) |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| European Union | 7142 | 7242 | 7180 | 1613 | 1539 | 1918 | 1962 | 1650 | 1650 |
| United States (e) | 2030 | 2390 | 2400 | 605 | 610 | 600 | 625 | 600 | 575 |
| China | 18984 | 21693 | 22146 | 5336 | 5670 | 5014 | 5767 | 5690 | 5675 |
| Japan | 3175 | 3334 | 3233 | 862 | 790 | 809 | 749 | 850 | 825 |
| South Korea | 2109 | 2018 | 2075 | 500 | 490 | 535 | 540 | 500 | 500 |
| Taiwan | 1081 | 1108 | 1166 | 274 | 268 | 291 | 320 | 280 | 275 |
| Others* (e) | 3985 | 3903 | 4000 | 983 | 893 | 1000 | 1000 | 1000 | 1000 |
| Global Total | 38506 | 41688 | 42200 | 10173 | 10260 | 10167 | 10963 | 10570 | 10500 |

Note: * - Others include Brazil, India, South Africa and CIS. (e) - ESTIMATE. (f) - FORECAST. r - REVISED. Source: ISSF, EUROFER, JISF, KOSA, TSIIA AND MEPS ESTIMATES

MARKET AND INDUSTRY SCENE

CAPACITY/INVESTMENT

Outokumpu is carrying out a series of modernisation works at its Nirosta stainless steel strip mill operating near Krefeld, Germany. Plans include a revamp of the existing cold rolling mill, which has been in operation since 1970. An upgrade to the rolling-oil treatment plant will also be carried out. Commissioning is expected before the year-end.

Acciaierie Venete, the Italian steelmaker, has commissioned a new blooming stand at its special steels mill in Camin, near Padua. The new line can process 110 tonnes of blooms, with diameters between 350mm and 600mm, per hour.

MERGERS/ACQUISITIONS

Spanish pipemaker, Tubacex, has acquired a 68 percent stake in the stainless tube division of India's Prakash Steelage. Located near Mumbai, it produces both seamless and welded stainless steel pipes and

tubes. Tubacex invested close to US\$36 million to acquire its equity stake in the company and retains an option to purchase the outstanding shares.

ANTIDUMPING

The European Commission is set to cut antidumping duties on cold rolled stainless steel coil imported into the EU from Taiwan. The rate will be cut from 12 percent to 6.8 percent beginning in the third quarter.

RAW MATERIAL CONVERSION MARGIN GRADE 304 COLD ROLLED COIL

| COUNTRY | | Last Month | This Month |
|---------|---------------------|------------|------------|
| USA | US\$/metric ton | 926.2 | 724.9 |
| Japan | '000 Yen/metric ton | 115.42 | 107.34 |
| Germany | €/metric ton | 783.2 | 802.9 |

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

WORLD/REGIONAL AVERAGE TRANSACTION PRICES (US\$/metric ton)

| | | World | | EU | | North America | | Asia | |
|---------------|------|------------|------------|------------|------------|---------------|------------|------------|------------|
| | | Last Month | This Month | Last Month | This Month | Last Month | This Month | Last Month | This Month |
| HR Coil 304 | High | 2346 | 2229 | 2375 | 2358 | 2525 | 2285 | 2139 | 2043 |
| | Low | 2245 | 2127 | 2303 | 2285 | 2405 | 2165 | 2027 | 1931 |
| HR Coil 316 | High | 3319 | 3185 | 3371 | 3342 | 3350 | 3080 | 3236 | 3133 |
| | Low | 3208 | 3073 | 3290 | 3259 | 3230 | 2960 | 3103 | 3000 |
| HR Plate 304 | High | 2717 | 2647 | 2694 | 2691 | 2925 | 2800 | 2533 | 2449 |
| | Low | 2605 | 2534 | 2596 | 2592 | 2805 | 2680 | 2414 | 2331 |
| HR Plate 316 | High | 3712 | 3625 | 3683 | 3668 | 3750 | 3595 | 3702 | 3612 |
| | Low | 3596 | 3508 | 3582 | 3565 | 3630 | 3475 | 3575 | 3484 |
| CR Coil 304 | High | 2532 | 2415 | 2541 | 2527 | 2705 | 2465 | 2349 | 2254 |
| | Low | 2420 | 2303 | 2465 | 2449 | 2585 | 2345 | 2209 | 2114 |
| CR Coil 316 | High | 3519 | 3386 | 3528 | 3502 | 3530 | 3260 | 3500 | 3397 |
| | Low | 3395 | 3262 | 3455 | 3428 | 3410 | 3140 | 3320 | 3217 |
| Drawn Bar 304 | High | 2950 | 2931 | 2774 | 2771 | 3265 | 3160 | 2811 | 2863 |
| | Low | 2847 | 2828 | 2674 | 2669 | 3165 | 3060 | 2702 | 2754 |
| Drawn Bar 316 | High | 4009 | 3954 | 3889 | 3873 | 4355 | 4210 | 3782 | 3780 |
| | Low | 3914 | 3859 | 3800 | 3783 | 4255 | 4110 | 3687 | 3685 |

**TRANSACTION PRICES - MONTH ON MONTH % CHANGE (Local currencies per metric ton)
July 2015 versus June 2015**

| PRODUCT: | Hot Rolled Coil | | Hot Rolled Plate | | Cold Rolled Coil | | | | Drawn Bar | | Peeled Bar | |
|---------------------|-----------------|------|------------------|------|------------------|------|------|------|-----------|------|------------|------|
| | 304 | 316 | 304 | 316 | 304 | 316 | 409 | 430 | 304 | 316 | 304 | 316 |
| USA | -10.0 | -8.4 | -4.5 | -4.3 | -9.3 | -7.9 | -4.6 | -4.2 | -3.3 | -3.4 | -2.9 | -3.1 |
| Japan | -3.5 | -2.5 | -1.3 | -1.0 | -3.2 | -2.3 | — | 0.0 | — | — | — | — |
| South Korea | -4.2 | -2.6 | -3.9 | -2.6 | -3.8 | -2.4 | 0.0 | 0.0 | -2.9 | -2.0 | -3.1 | -2.1 |
| Taiwan | -1.8 | -1.1 | -1.5 | -0.9 | -1.7 | -1.1 | — | 0.0 | -1.0 | -0.8 | -1.0 | -0.8 |
| China | -10.2 | -7.6 | -8.8 | -6.9 | -9.5 | -7.4 | — | -9.9 | 16.6 | 6.1 | — | — |
| EU (average) | -2.3 | -2.4 | -1.7 | -2.0 | -2.1 | -2.3 | 0.5 | 0.5 | -1.7 | -2.0 | -1.5 | -1.8 |
| Germany | -1.9 | -2.2 | -1.7 | -2.0 | -1.8 | -2.1 | 0.6 | 0.7 | -3.5 | -3.4 | -3.4 | -3.4 |
| France | -1.9 | -2.2 | -1.7 | -2.1 | -1.8 | -2.1 | 0.4 | 0.5 | -0.9 | -1.8 | -0.6 | -1.5 |
| Italy | -2.5 | -2.7 | -1.8 | -2.1 | -2.3 | -2.6 | 0.7 | 0.6 | -3.6 | -3.7 | -3.2 | -3.5 |
| UK | -2.6 | -2.8 | -2.3 | -2.6 | -2.4 | -2.6 | -0.4 | -0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Spain | -3.3 | -3.1 | -1.7 | -1.8 | -3.1 | -2.9 | 0.1 | 0.1 | -2.1 | -2.2 | -1.9 | -2.1 |
| Sweden | -2.6 | -2.9 | -2.4 | -2.7 | -2.5 | -2.8 | -0.4 | -0.4 | -3.9 | -4.1 | -3.9 | -4.1 |
| Netherlands | -2.0 | -2.2 | -1.7 | -2.1 | -1.8 | -2.1 | — | 0.5 | -2.9 | -3.2 | -2.8 | -3.1 |
| Denmark | -1.9 | -2.2 | -1.7 | -2.0 | -1.8 | -2.1 | — | — | -3.3 | -3.3 | -3.2 | -3.4 |

The August issue of the MEPS Stainless Steel Review will be dispatched on 27 August, 2015.

PRICE AND PRODUCT DEFINITIONS

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 current month for delivery in the future. 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. A market or basis price can be defined as our analysis of the value negotiated for the specified products including extras for grade and form of supply. The transaction price is the total amount to be paid 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.

World prices are an arithmetic average of the values identified in three regions (EU, Asia and North America). EU prices are an arithmetic average of the values identified in Germany, France, Italy, UK and Spain. North America prices are derived from the values identified in USA. Asia prices are an arithmetic average of the values identified in Japan, Taiwan, South Korea and China. All prices are collected in national currencies and converted into US dollars to provide a basis for comparison.

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

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

Cold Rolled Wide Coils - Grades 304, 316, 409 and 430 in standard widths. Thickness 2mm except USA 0.10 inches. Grade 430 - BA finish except USA and China 2B finish. Grade 304 and 316 - 2B finish all countries.

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

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

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 the use of our published data, however it may arise.

MEPS PUBLICATIONS

EUROPEAN STEEL REVIEW (monthly)

This is our flagship publication. The first report was produced in 1984. Each monthly issue incorporates high and low market prices for eleven steel product forms in the EU - Germany, France, Italy, Spain, UK and Belgium. Data for flat and long products is supplied in each edition. Prices are displayed in Euros for easy comparison. Details of EU Average Steel Transaction Prices are incorporated together with regular forecasts.

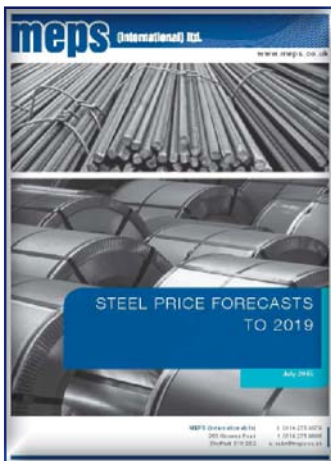


INTERNATIONAL STEEL REVIEW (monthly)

Each edition carries domestic steel pricing data in eleven countries across the globe, including - United States, Canada, China, Japan, South Korea, Taiwan, Poland, Czech/Slovak Republics and the main five EU member states - covering 70 percent of world consumption. Details of World and Regional Average Steel Prices are incorporated together with regular forecasts.



MEPS STEEL PRICE FORECASTS TO 2019 - FIVE YEAR FORECAST - NOW AVAILABLE



The predictions in this report have been prepared using the key factors which MEPS have found to be statistically significant in affecting steel prices. They have been extensively researched and developed through rigorous formal analysis of the global market.

The research commenced with an evaluation of economic forecasts from a number of authoritative institutions. This was followed by an examination of the likely long term demand for steel. We then had discussions with a wide range of steel buyers to obtain their opinion of short and medium term market requirements. The final part of the research program involved an assessment of raw material supply, demand and costs to meet the anticipated consumption of steel products.

The data was drawn together for analysis by our experienced staff in the UK. It was incorporated in the unique model developed by MEPS for the preparation of steel price forecasts for clients over the past ten years. The final report was prepared giving the reasoning behind our predictions, together with charts and tables.

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