ACERINOX

DEVELOPMENT IN THE GLOBAL STAINLESS STEEL INDUSTRY

INFACON X

2nd February, 2004

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Chairman, ISSF

10th INTERNATIONAL FERROALLOYS CONGRESS
Cape Town, 2-4 February 2004

Ladies and gentlemen,

It is a privilege for me to have the opportunity to address this distinguished audience of ferroalloys producers, South African Associations, International Corporations and friends, in this plenary meeting of your INFACON-X Congress.

I recall now, not without some nostalgia, the first time that I participated in the first INFACON Congress in April 1974. I enjoyed it very much, not only for my ferrosilicon background, but also because it was the first time I visited this fascinating Country, that impressed me deeply from the very beginning. I took that opportunity to visit the already state-of-the-art ferroalloys facilities of South Africa and Zimbabwe and to establish the first ferrochrome contracts for our Gibraltar Camp melting shop, at that time in the final stage of construction.

The subject I have been asked to present to you by Dr. Barcza, “Development in the Global Stainless Steel Industry”, is dearest to me since its content actually involves my whole professional career of almost 43 years fully dedicated to the worldwide stainless steel business.

Before all, I would like to make the statement that I am very optimistic about the future of what is our “changing global stainless steel industry”.

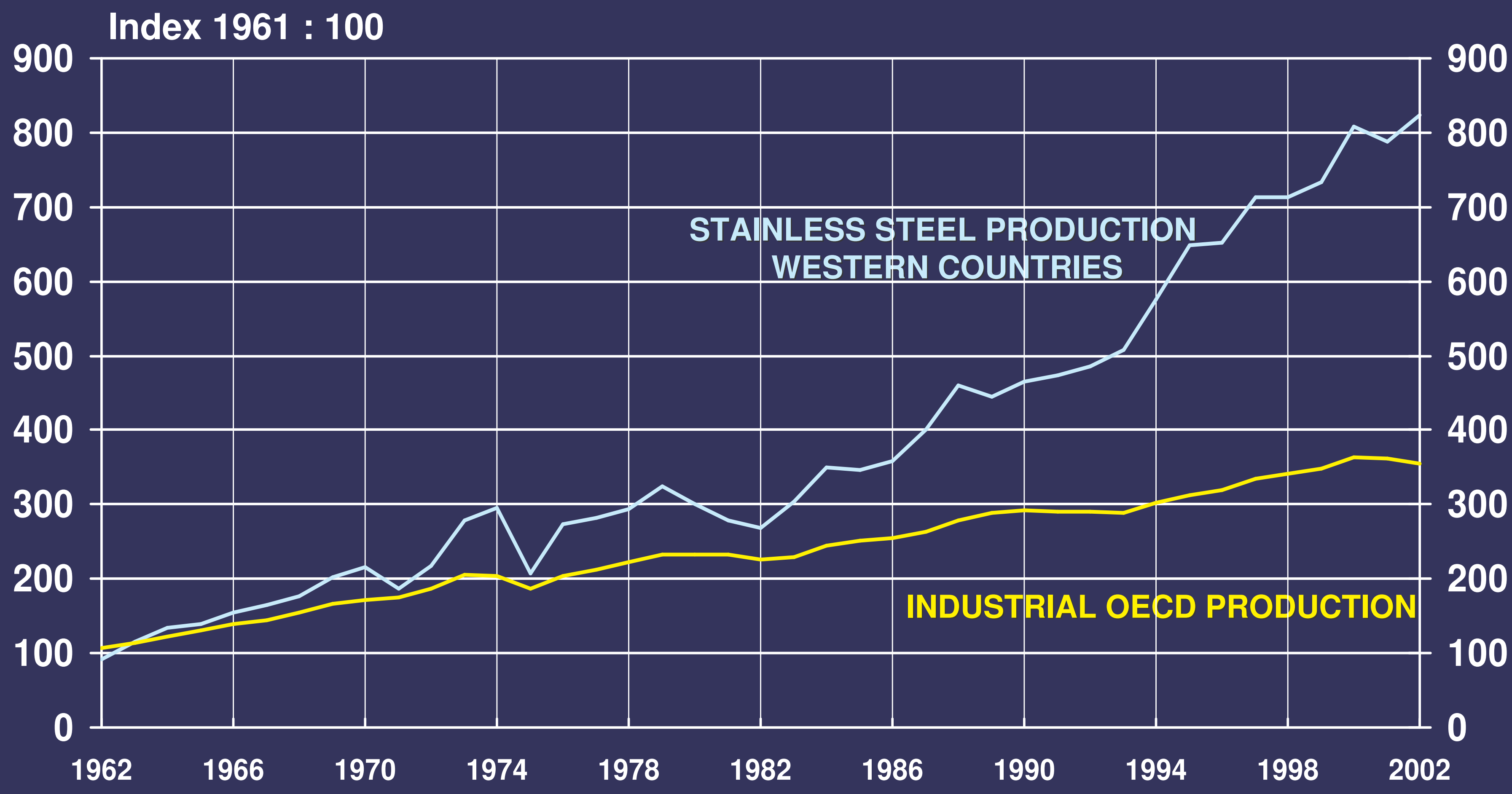
Let me now offer you some parameters that support this optimistic view.

A CHANGING GLOBAL STAINLESS STEEL INDUSTRY

EVOLUTION OF GDP. YEARS 1998 – 2003e

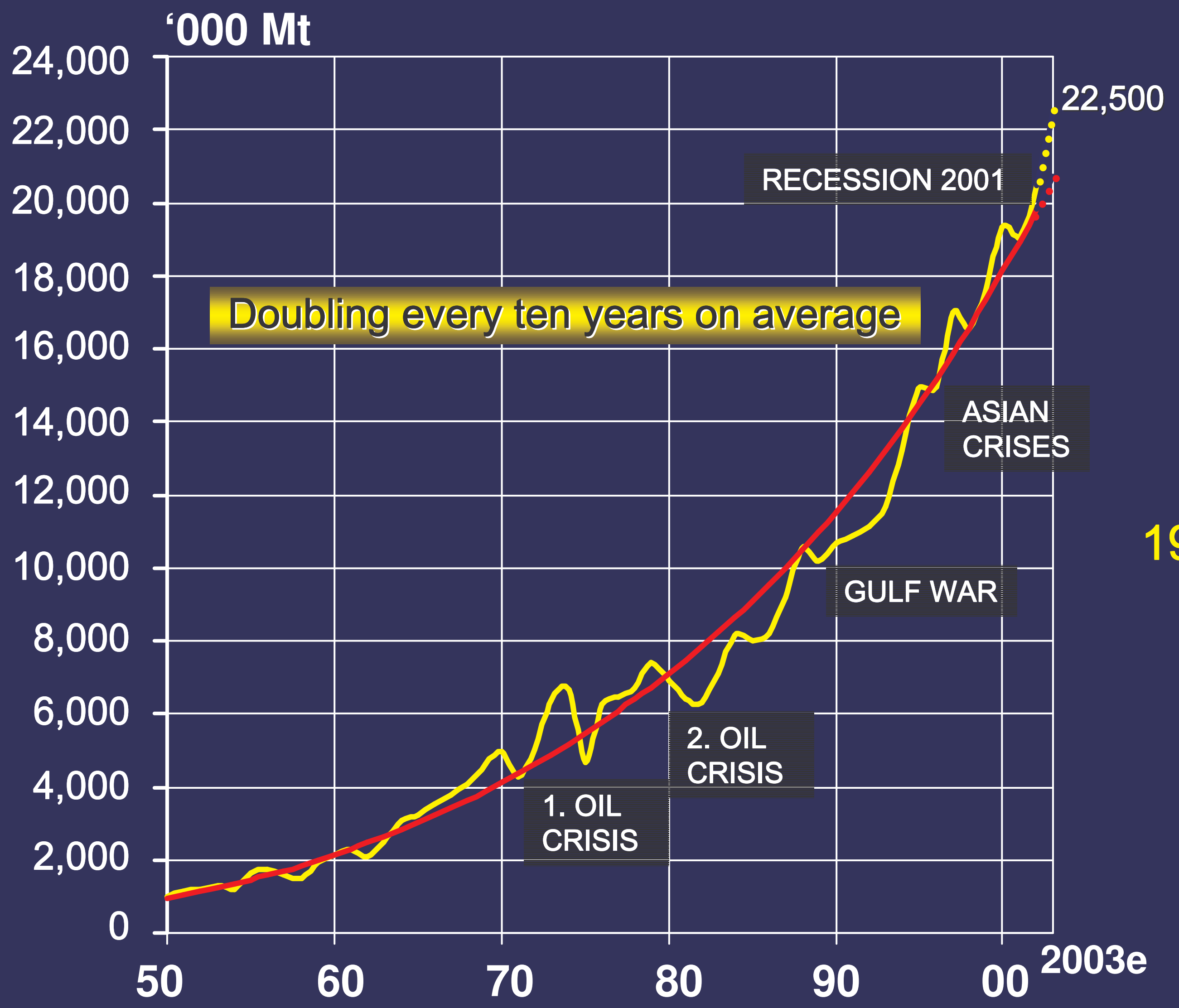
Source : International Monetary Fund – IMF & Fortis Bank estimates

COMPARISON BETWEEN STAINLESS STEEL PRODUCTION (Western Countries) AND INDUSTRIAL OECD PRODUCTION



SOURCE: J.P. Morgan Economic Research and World Bureau of Metal Statistic

STAINLESS STEEL INGOT PRODUCTION WORLD, 1950 – 2003e

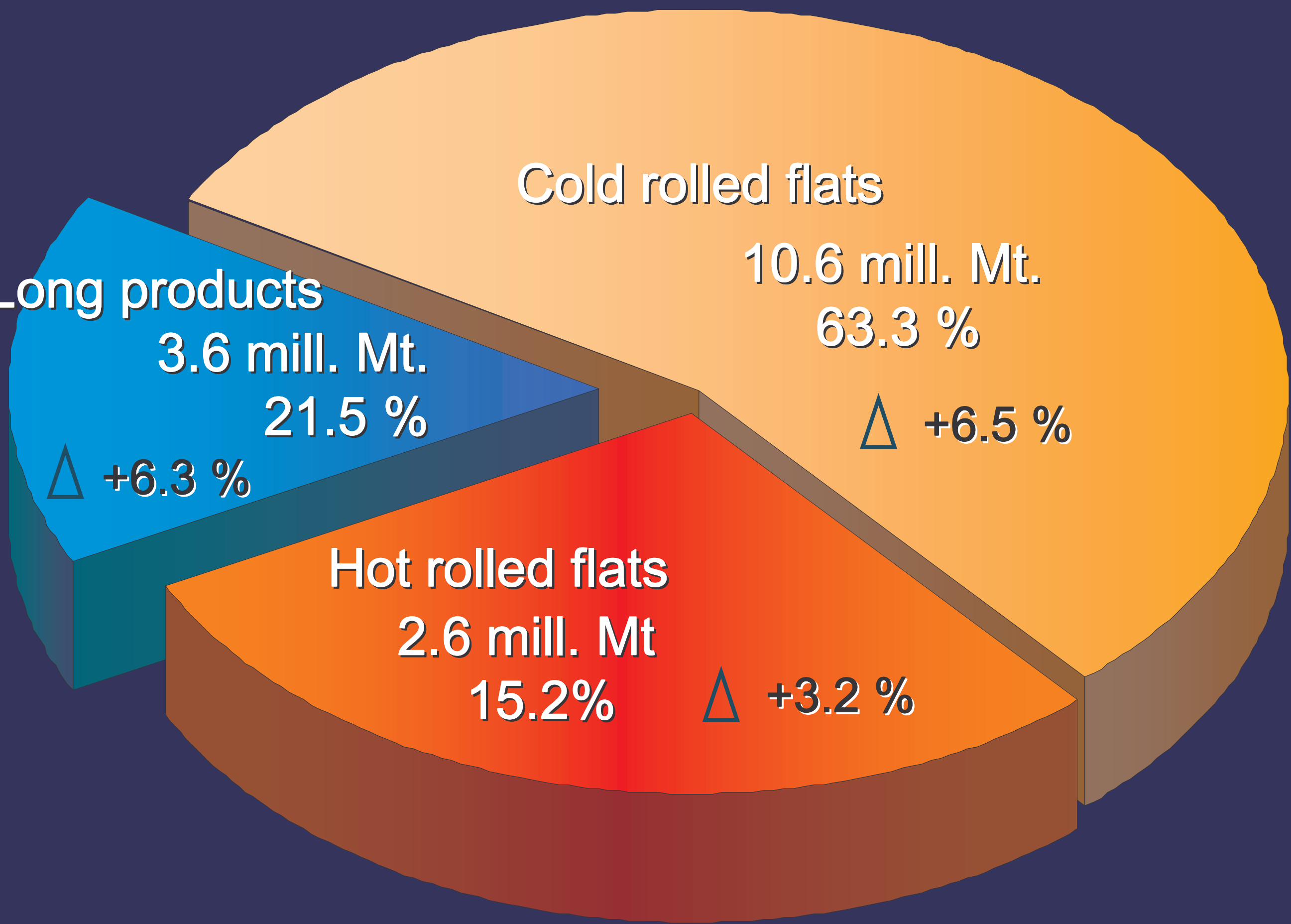


Compound Annual Growth Rate

1950-2003e: + 6.03%

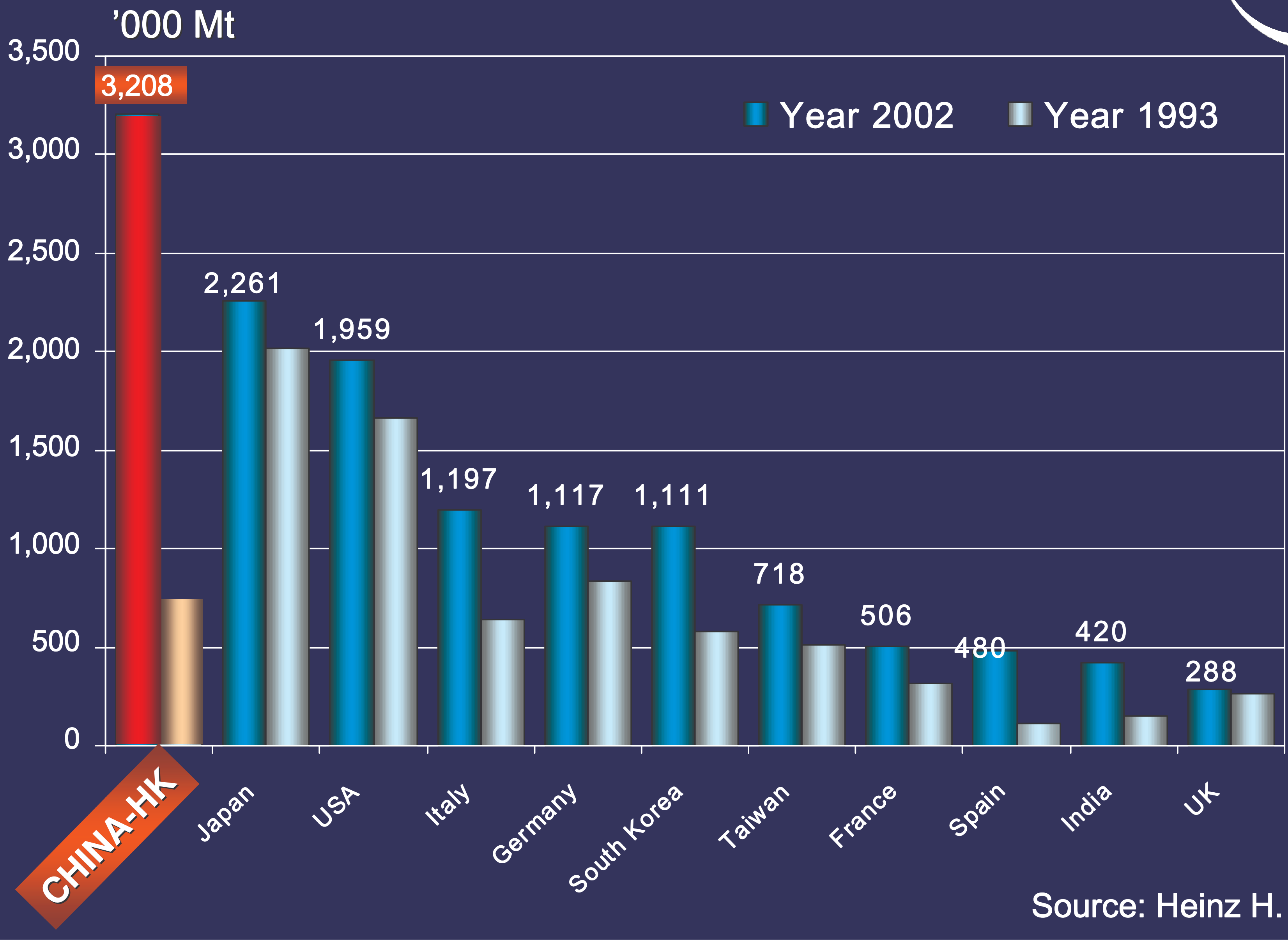
STAINLESS STEEL PRODUCT STRUCTURE. YEAR 2002

∆ Compound annual growth 1993 - 2002



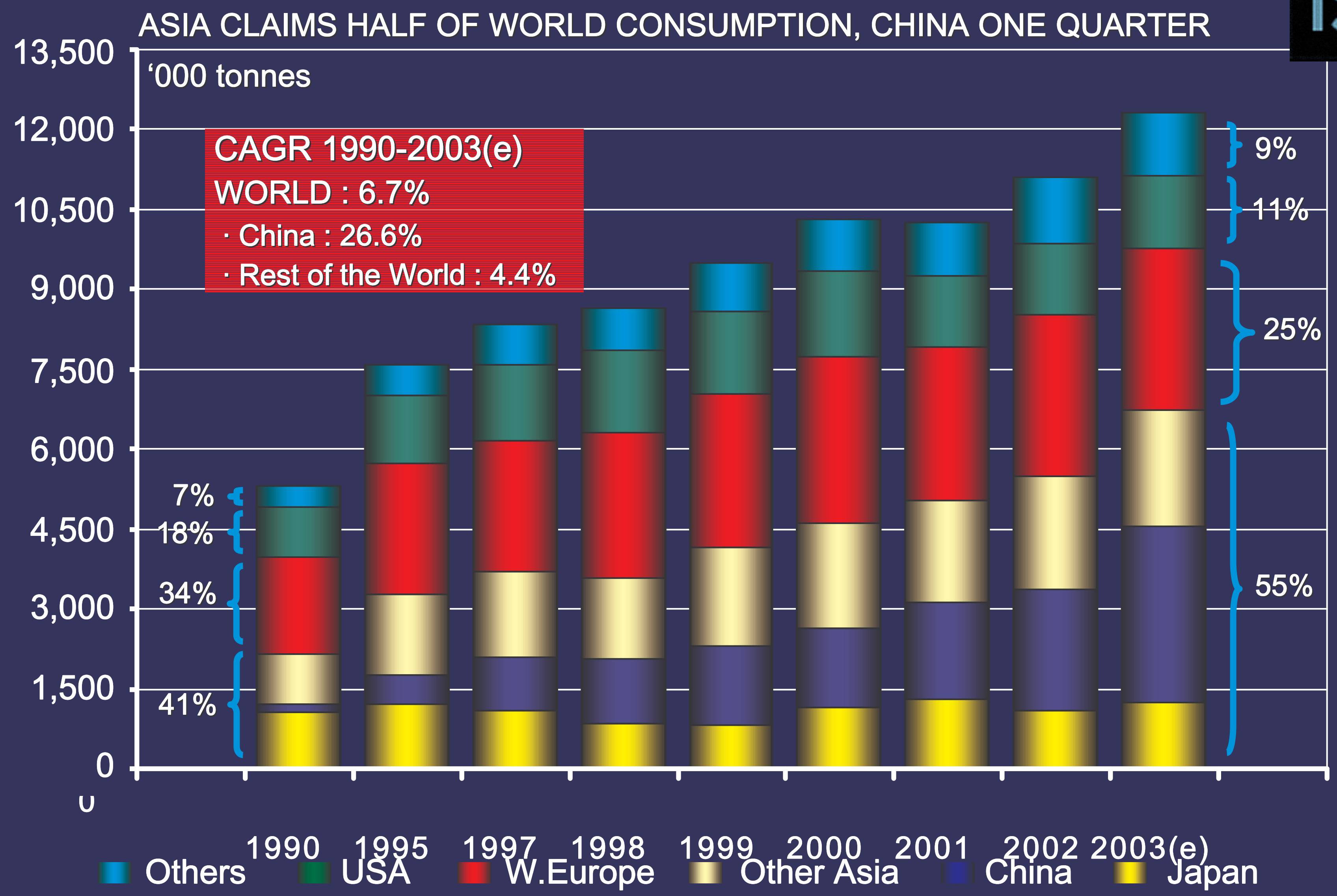
Berlin, May 2003

CHANGES IN STAINLESS STEEL DEMAND

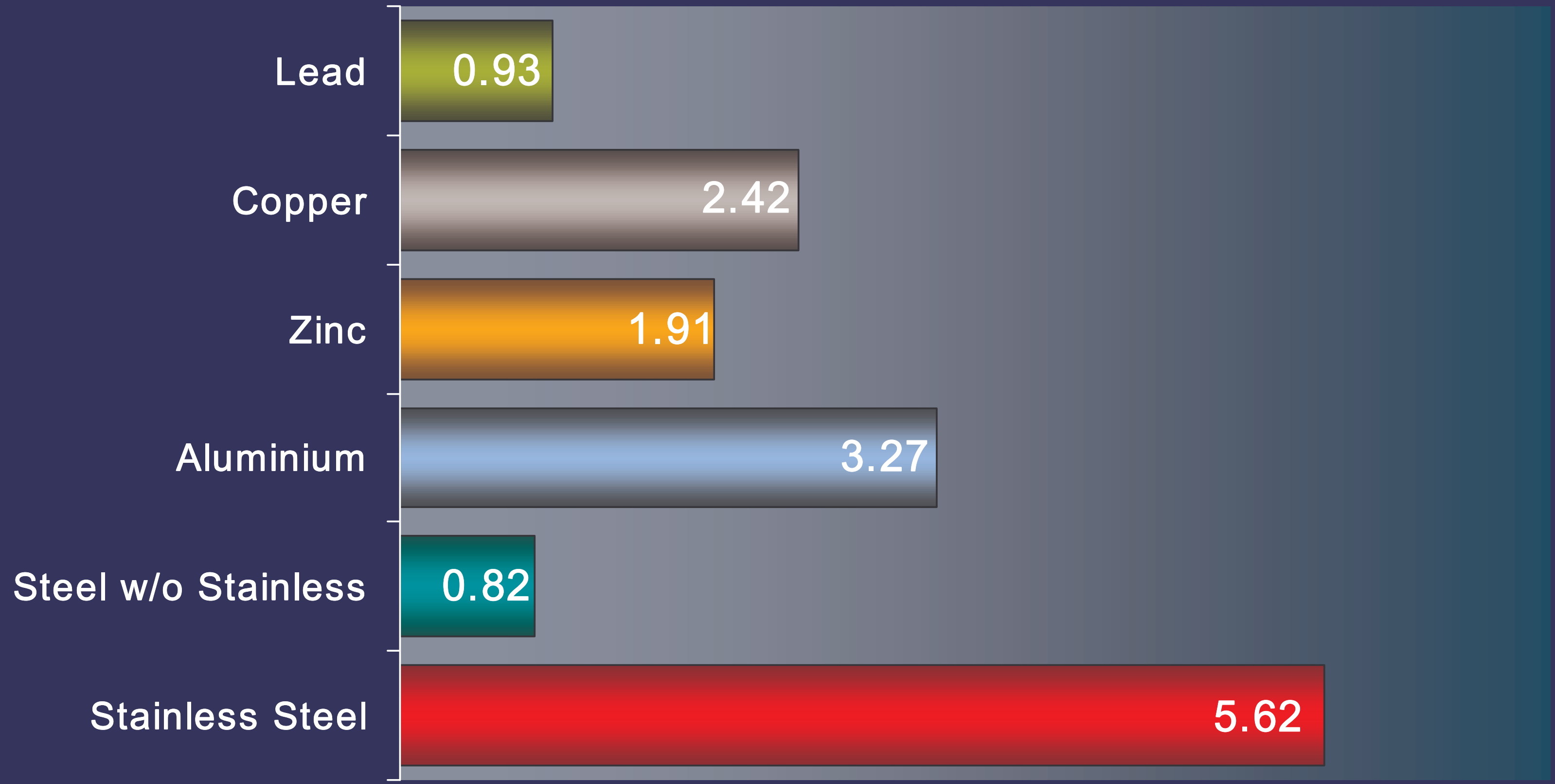


Source: Heinz H. Pariser

APPARENT WORLD CONSUMPTION COLD ROLLED FLAT PRODUCTS



STAINLESS STEEL GROWING CONSUMPTION COMPARED WITH ALTERNATIC METALIC PRODUCTS



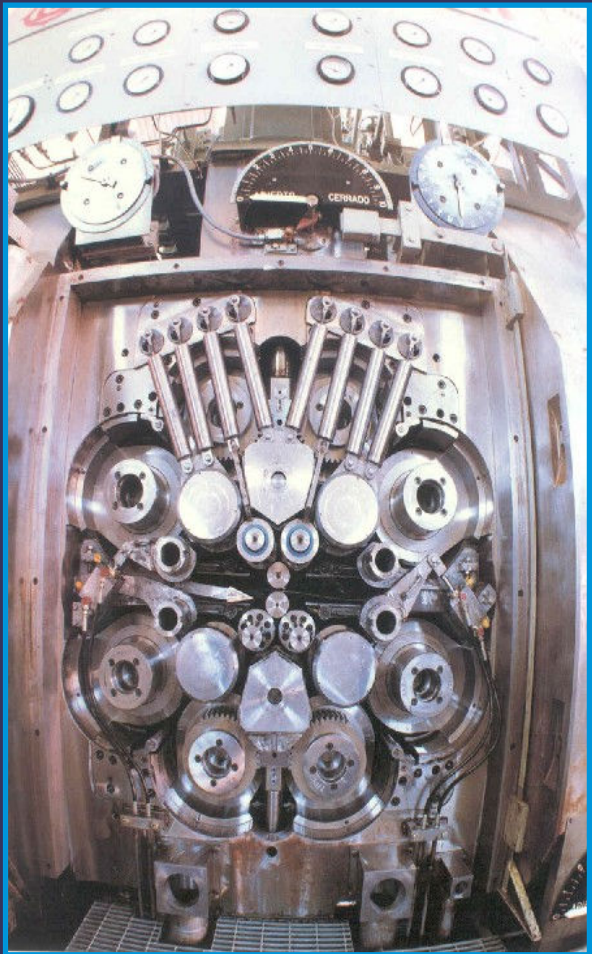
Compound Annual Growth 1980 - 2002 in % p.a.

Berlin, May 2003

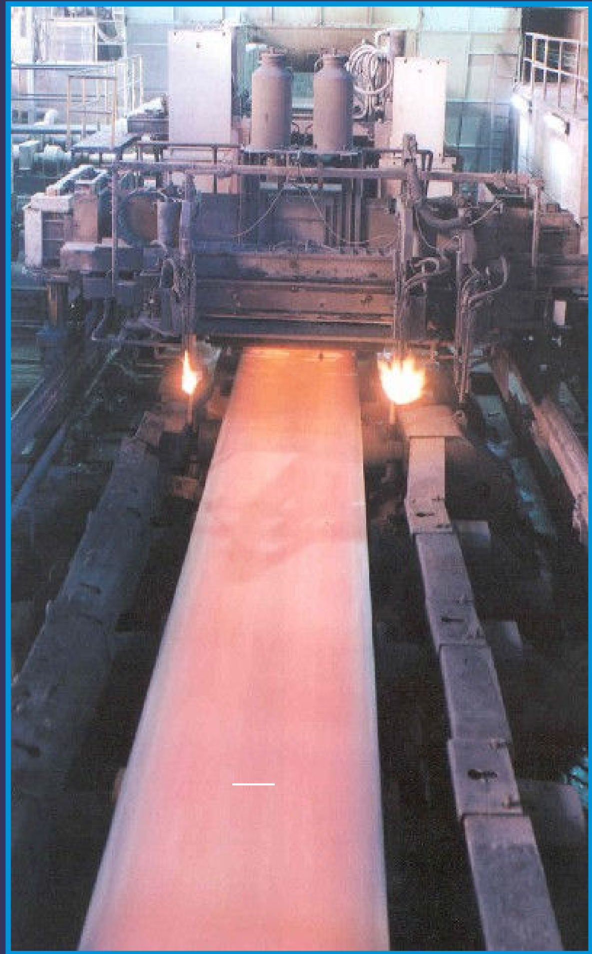
NEW TECHNOLOGIES CONTRIBUTION TO THE STAINLESS STEEL DEVELOPMENT

TRADITIONAL TECHNOLOGIES SINCE THE SIXTIES

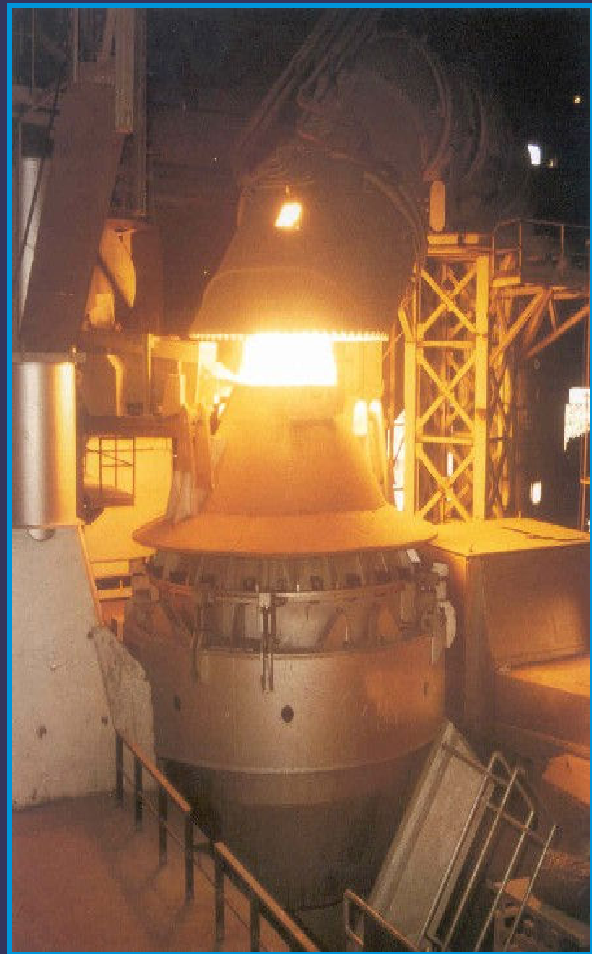
SENDZIMIR MILL



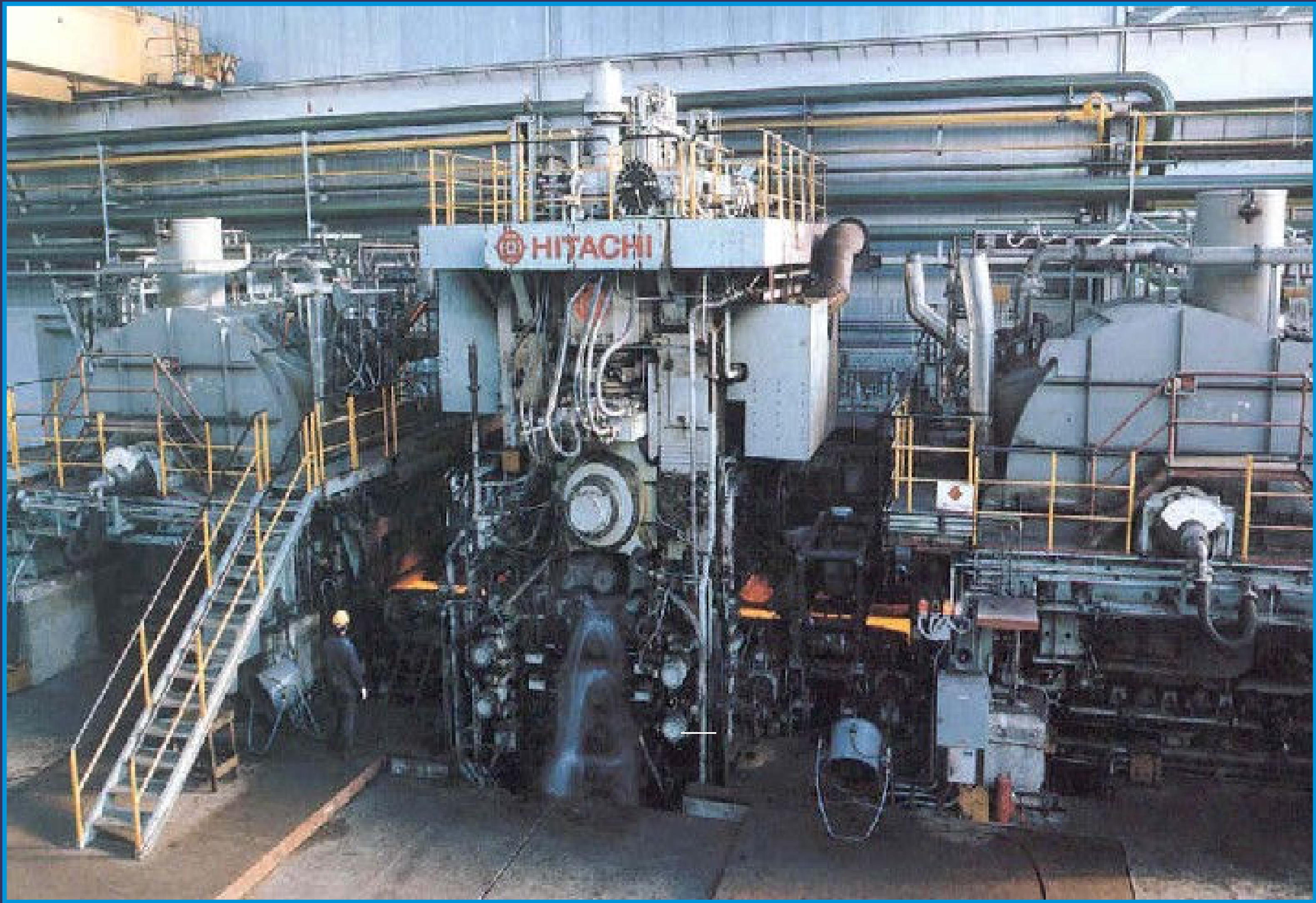
CONTINUOS CASTING



A.O.D.



NEW GENERATION STECKEL MILLS (YEAR 1985)



NEW DEVELOPMENTS 21st CENTURY

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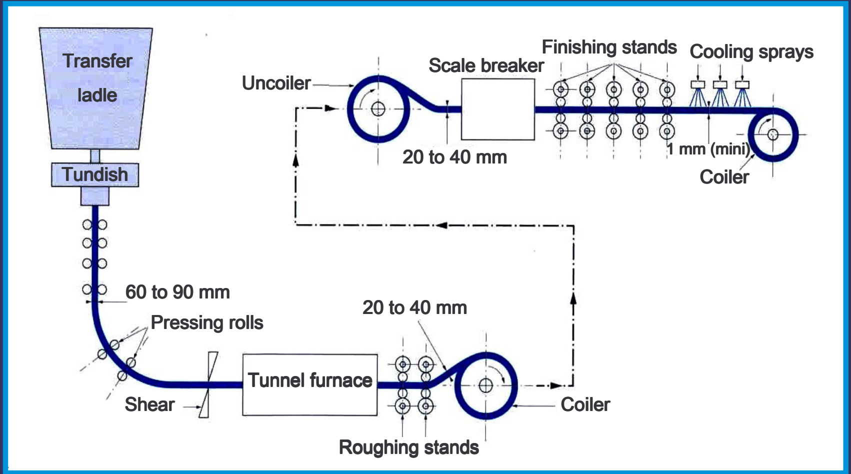
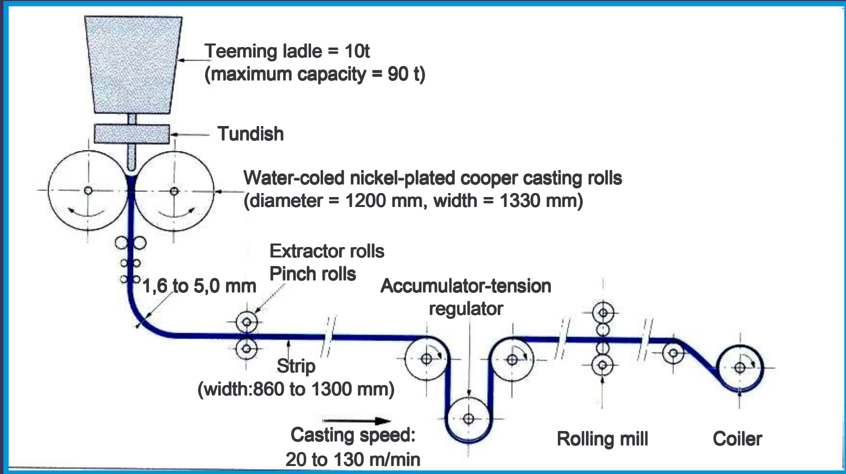
THIN SLAB



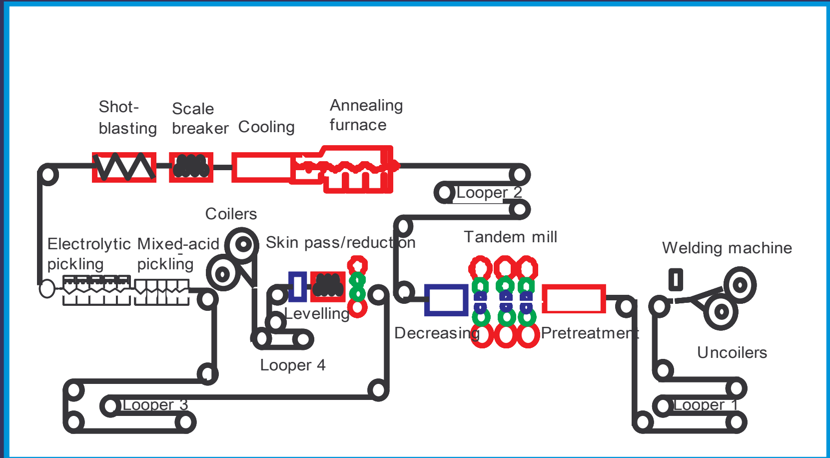
Source: EUROFER

STRIP CASTER



Source: EUROFER

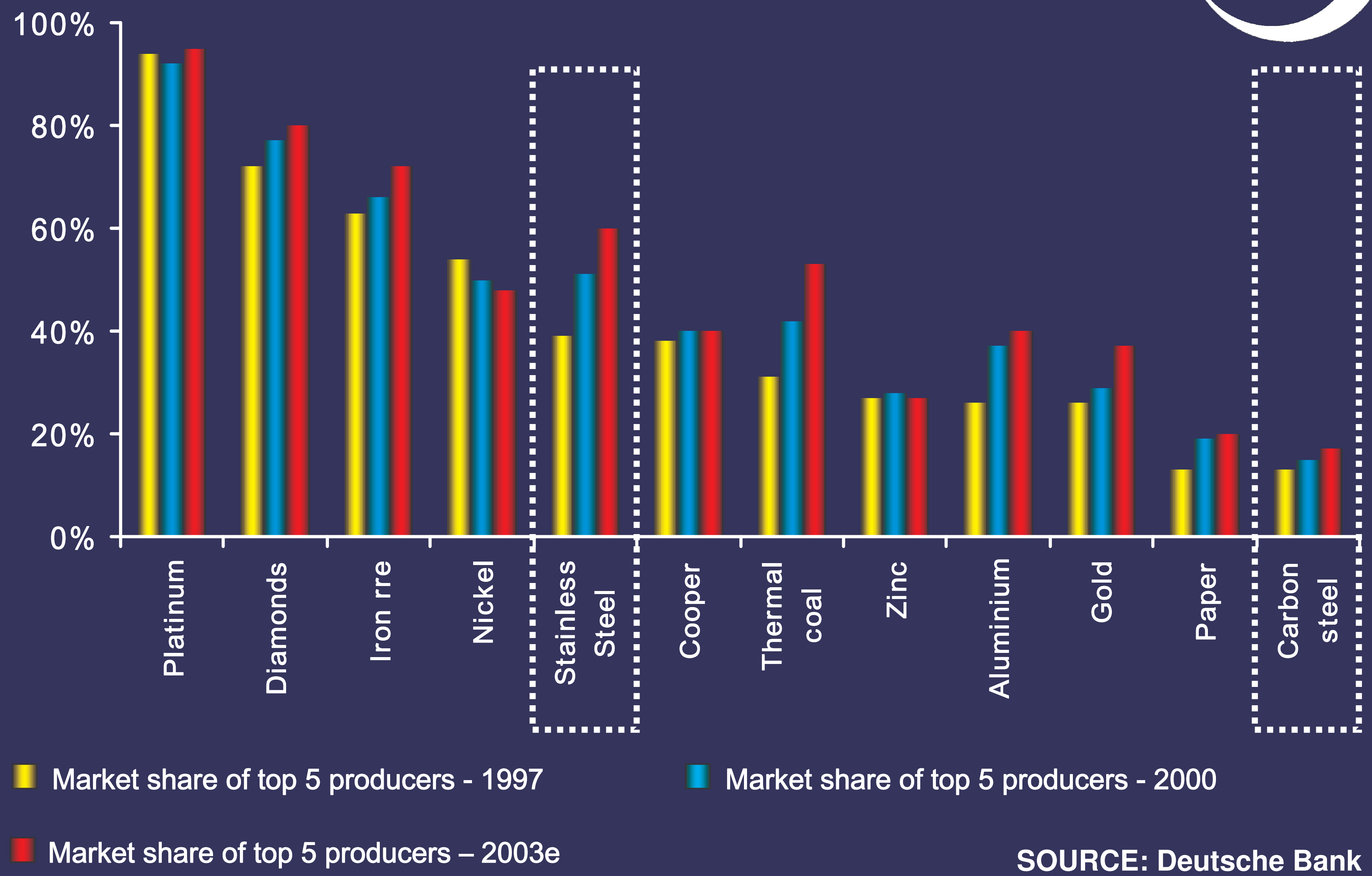
R.A.P.



Source: OUTOKUMPU

CONSOLIDATION OF STAINLESS STEEL INDUSTRY

CONSOLIDATING STAINLESS STEEL INDUSTRY



SOURCE: Deutsche Bank

RAW MATERIALS

OFFICIAL NICKEL PRICE IN L.M.E.

(Monthly Average Values) Jan 1980 – Dec 2003

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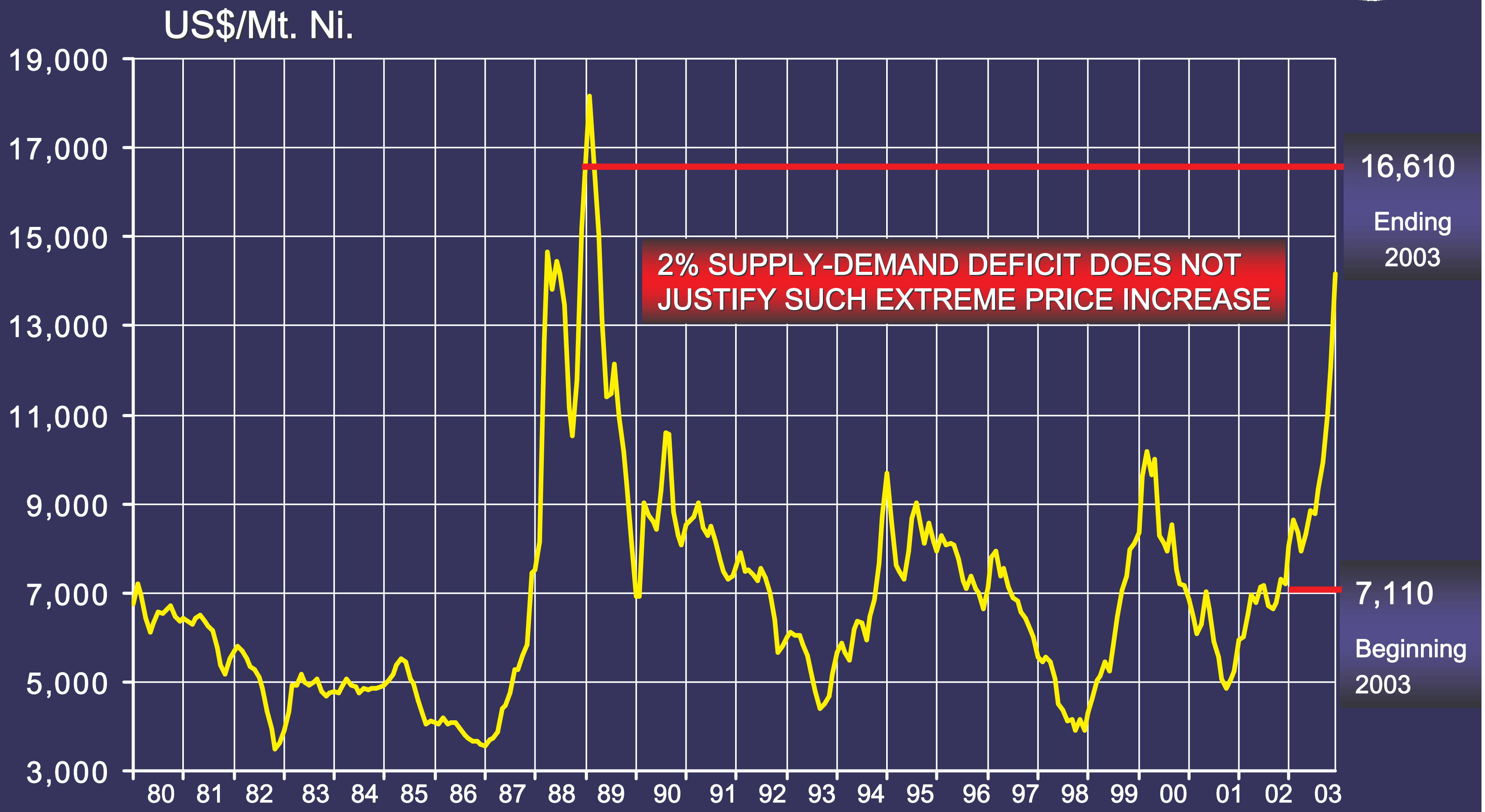
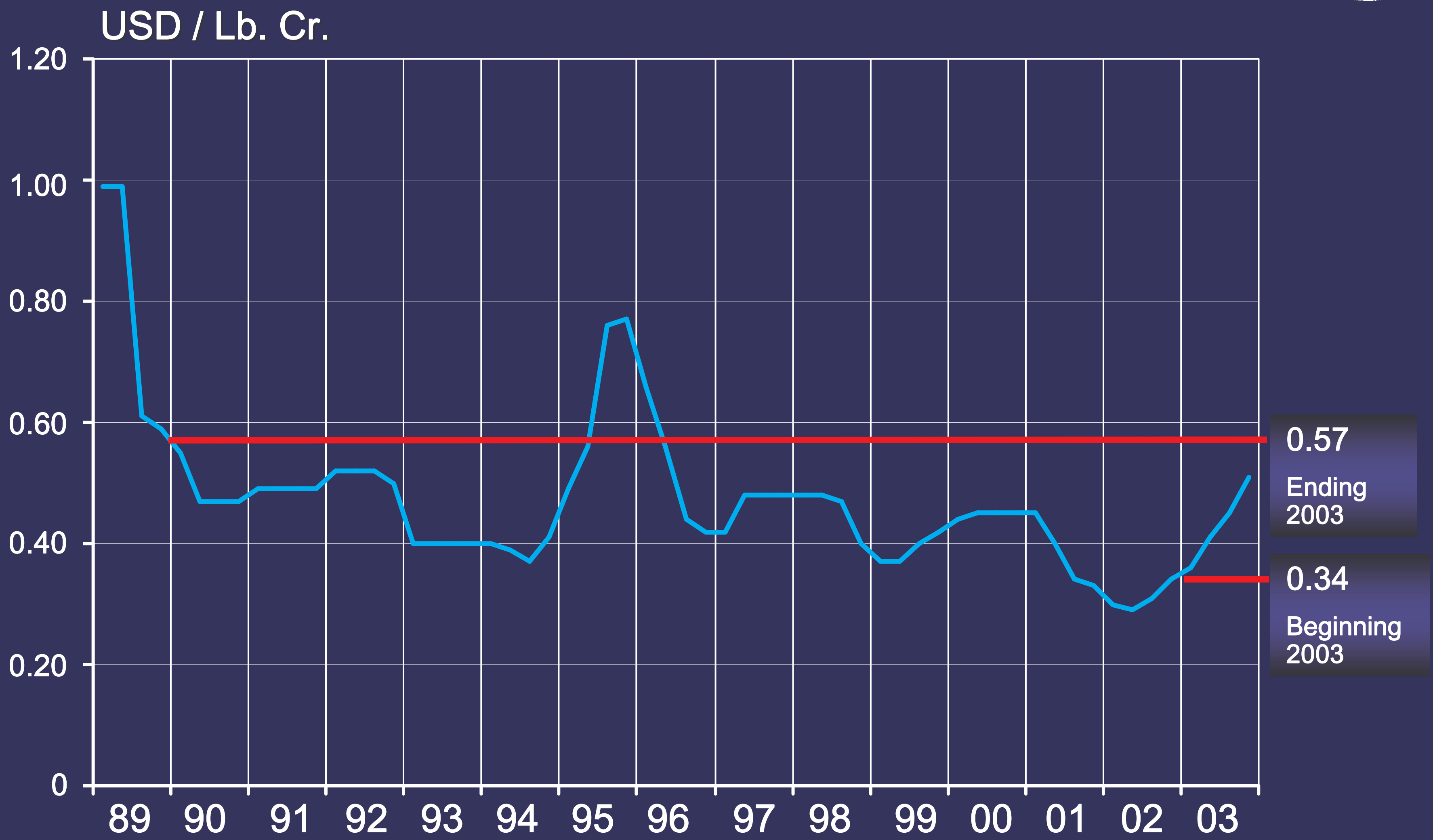


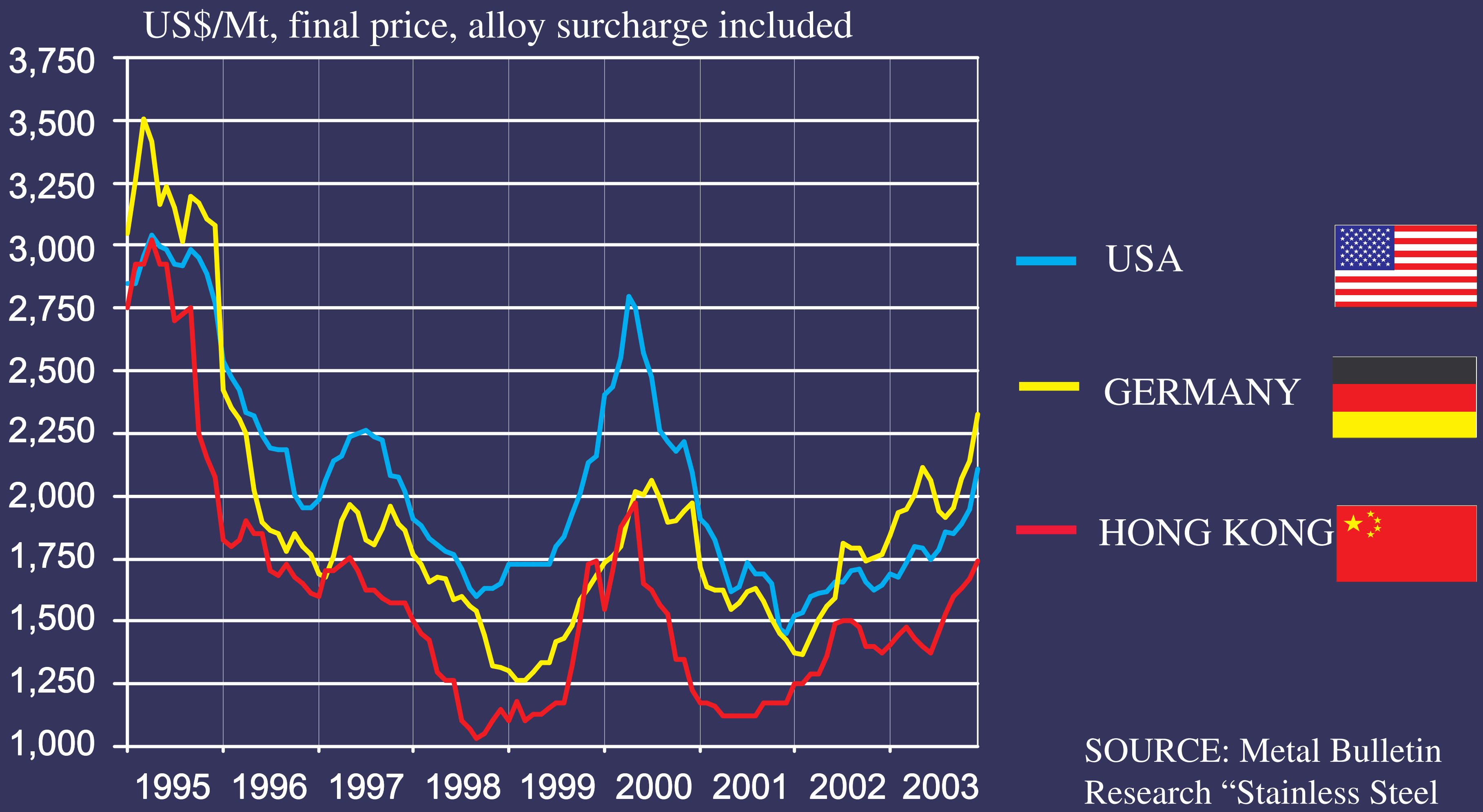
FERROCHROME PRICE (*Metal Bulletin*)



MOLYBDENUM PRICE (*Metal Bulletin*)

EVOLUTION OF THE STAINLESS STEEL PRICES

STAINLESS STEEL SHEET PRICES
AISI. 304 2,0 mm *(January 95 – December 03)*



SOURCE: Metal Bulletin Research "Stainless Steel Monthly"

SUBSTITUTION

USE OF STAINLESS STEEL FOR THEIR MECHANICAL PROPERTIES

BUTANE GAS CYLINDER

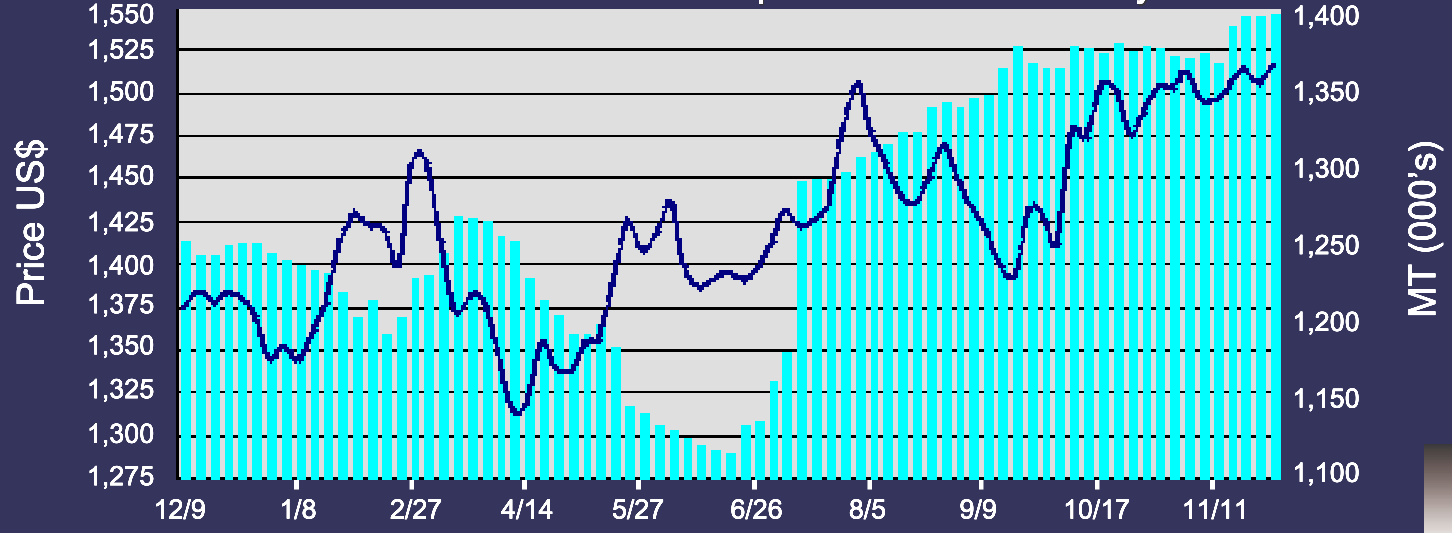
USE OF STAINLESS STEEL FOR THEIR MECHANICAL PROPERTIES IN THE AUTOMOTIVE SECTOR

STAINLESS STEEL REBAR

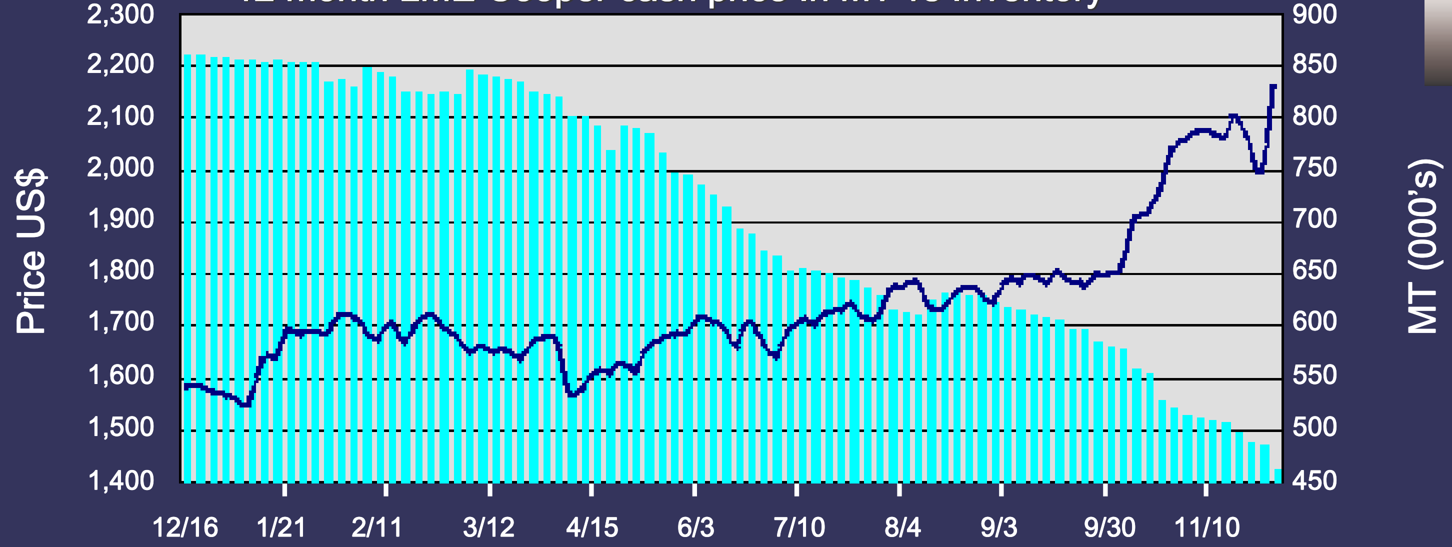
BRIDGE IN MONTANA STATE, USA

COMPETITORS ON THE RISE AS WELL

12 month LME Aluminium cash price In MT vs Inventory



12 month LME Cooper cash price In MT vs Inventory



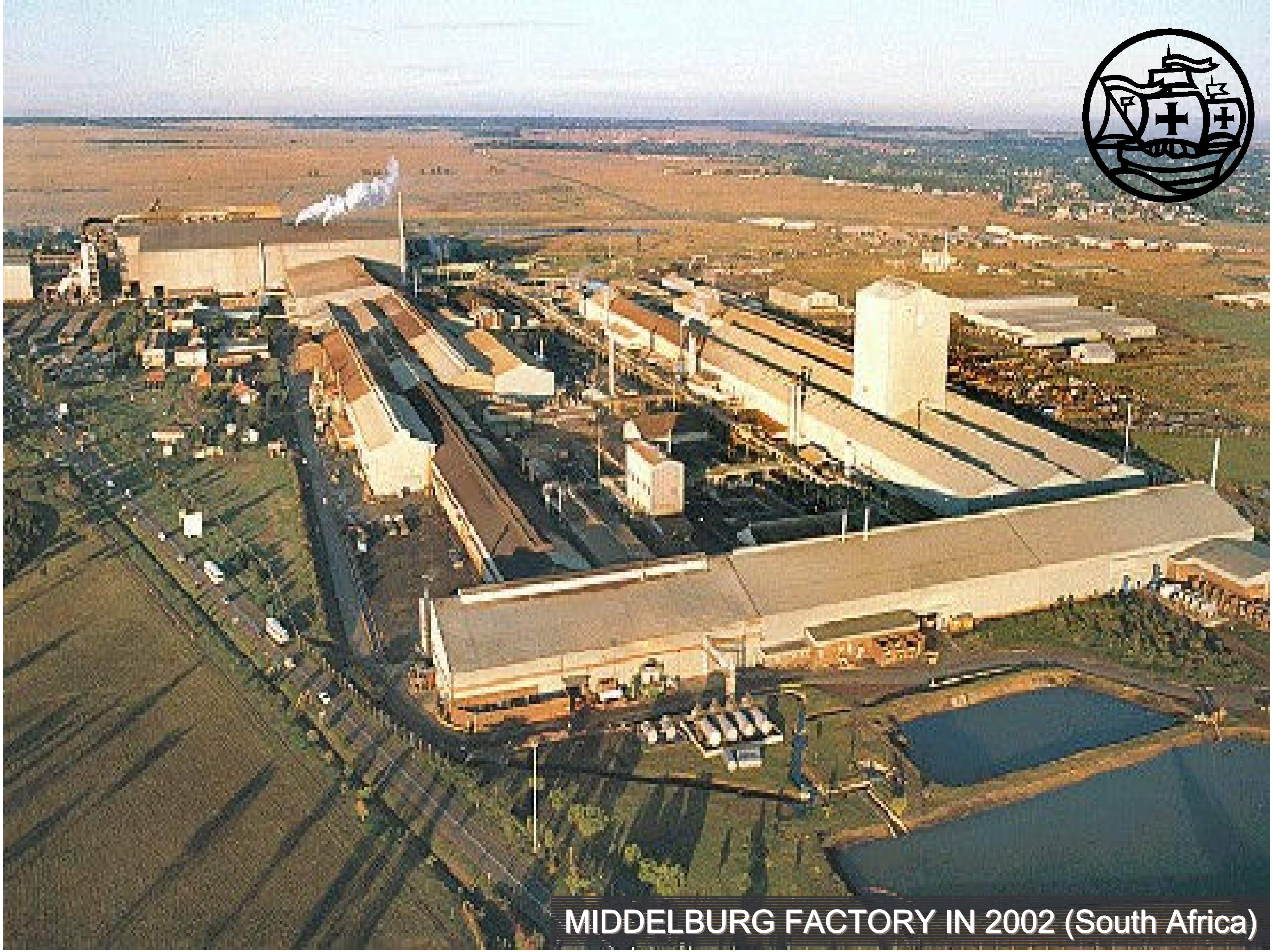
Prices
Inventory
Metalprices.com

TEAM STAINLESS (ICDA – NiDI – IMOA – ISSF)

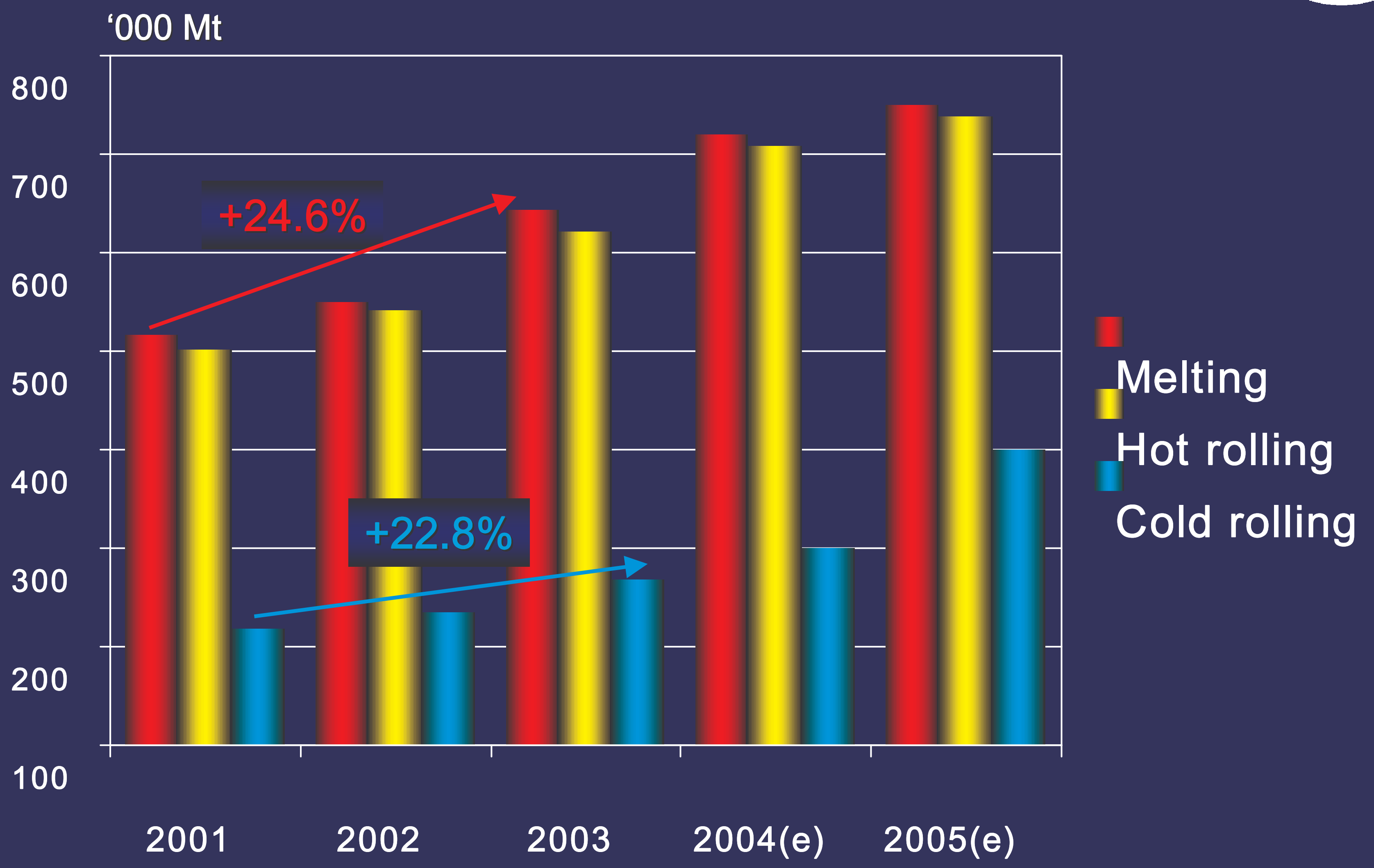
- **Intensified informal cooperation (2002 -)**
  (Co-ordination of messages to the market)
- **Heavy focus on Health & Environment**
- **New priorities: - joint statistical work**
  - joint market development
- **Joint ISSF - NiDI Board meetings since 2000**
- **Joint ISSF Board – ICDA Council meetings will start 2004**

SOUTH AFRICAN STAINLESS STEEL MARKET AND INDUSTRY

SOUTH AFRICAN APPARENT STAINLESS STEEL CONSUMPTION


MIDDELBURG FACTORY IN 2002 (South Africa)

COLUMBUS STAINLESS PRODUCTION



NEW SENDZIMIR Z-MILL 3 (ZR-21BN-63) HOUSING FOR COLUMBUS STAINLESS IN PRE-ASSEMBLY, NOVEMBER 2003

CONCLUSION

CONCLUSION:

I am more optimistic than ever about the future of stainless steel under only two conditions:

1.- World economy grows normally.
2.- Reasonable behaviour of raw materials.

All of us, raw materials suppliers, stainless steel producers and transformers, are in the same boat and it is very important to avoid all kind of speculations like those suffered last year, especially with the LME nickel prices. How? This is a difficult question but you will agree with me that they are affecting the wonderful 6% growth rate of the stainless steel of last 53 years, that could even be higher due, on top of its life cycle and maintenance free, to its superior mechanical properties than other competitive materials.

Will the growth depend in a big extent of China? Yes, but not exclusively, because in all the remaining geographic areas it will continue growing too, even if certain transforming industries, intensive in man power, will move not only to China but also to Taiwan, South Korea, Malaysia, Vietnam, etc., and why not to South Africa, provided that the Rand would recover soon a reasonable parity with the US Dollar?. Such unavoidable displacements will be compensated with new applications. I also strongly believe in the recovery of the North American market, now that its economy is doing well and its stainless steel industries are becoming competitive and in consequence the market prices have been already aligned with those of other areas.

The past experience is that "when a country reaches a certain GDP level, the stainless steel consumption always takes off spectacularly" and I think this moment has already arrived for China, and you can imagine what can happen in a Country with 1.3 billion population ready to work. If GDP of China continues growing not at between 7 and 9% p.a. like last years, but even at a little lower pace, the stainless steel consumption will rise at two digits figures. If so, China will reduce rather fast its cold rolled coils imports but will continue importing hot coils and also special cold rolled grades during all this decade.

When the analysts talk about overcapacity, they often forget that the more sophisticated the new equipments are, the longer time is necessary for the start up since it takes many months until the full capacity is reached. Besides that, the recent mergers of heavy machinery makers, with the inherent early retirement of experienced engineers, has caused delays in important projects, not to mention about the possible financial dangers, specially in the tight moments of the cycle.

Even if the new investments are undertaken in a reasonable manner and timing, there will be a fierce competition in our very globalized market, and consequently the profit margins will continue narrowing more and more. The importance of the integrated process in the plants, with a minimal size of about 1 million tons, will be decisive. The location of production close to the customers and raw materials will become another important factor. Nevertheless, due to our product excellence it will not exist a big global overcapacity, except for certain short periods of time, as it happened cyclically in the past. The consolidation of the stainless steel industry will continue, as it has already been accomplished in Europe, but not enough yet in other continents and most especially in Asia, that should digest its very big and outstanding fast expansion.

I hope that these personal views about stainless steel industry will be helpful for your discussions in this Ferroalloys Congress and I am at your disposal for replying your questions.

Many thanks.