

METAL NEWS

USA

Antidumping tariffs for the Chinese Steel Nails

Reuters informed that the US Commerce Department had introduced a preliminary antidumping tariffs for the steel nails imported from China and the UAE as of 16/01/08 because of their lowered prices. "The price of the production imported discriminates the American producers", David Spooner, Assistant Secretary of Import Administration, said. The preliminary antidumping tariffs will be 20.77 - 118.04 % for the Chinese production and 4.47 % - for the UAE's import. The antidumping tariffs for the Chinese production are significantly higher because of the greater volumes of production imported. The final decision on the measures introduced will be taken in the beginning of June 2008.

China

Steel Production in 2008 Will Reach 540 Million Tones

XFN-Asia informs that Chinese production of steel in 2008 will reach 540 million tones, while in 2007 it has been 490 million tones. A representative of China Iron & Steel Association announced this piece of information for Securities Times. According to the information, steel consumption in 2008 will go up by 12 %, while in 2007 it went up by 12.9 %. The big and average Chinese steel companies' combined profit for 2007 amounts to \$ 19.34 billion, which is 50 % more than last year.

Russia

UC Rusal Has Paid \$ 4.6 Billion Dividends?

In 2006 Rusal has paid dividends totally amounting to \$ 4.6 billion. An investment memorandum of Renova Holding, owned by Victor Vekselberg, mentions the sum in relation to issuing of Euro bonds for EUR 500 million. A representative of Rusal said that the memorandum of Renova Holding included an incorrect number. He refused to say what the real amount of the dividends was. Until now neither Renova nor Glencore have made any comments. It is known that Rusal always pays its shareholders enormous dividends - not less than 90 % of the net profit. For 2005 shareholders received \$ 1.8 billion, and for 2004 - \$ 978 million. Rusal has not announced the net profit for 2006 too.

Japan

Steel Production in December Increased for the Nineteenth Time

The Japan Iron and Steel Federation announced that the state had increased steel production in December by 3.2 % compared to 2006, thus reaching 10.4 million tones. This index increases for a nineteenth month in a row. Metallurgy in Japan expanded production because of the increasing demand from the automotive industry, shipbuilding sector and construction sector. In 2007 Japan has produced 120.2 million tones, which exceeds last year's index by 3.4 %. The record from 1973 that had been 119.3 million tones was also broken.

Nippon Steel lowers Japanese carbon steel demand

According to the Japan Metal Bulletin, Japan's Nippon Steel recently reduced the estimate of Japanese carbon steel demand from October 2007 to March 2008 to 30.88 million tonnes, which is 2.03 million tons lower than the expectation of October 2007.

At the same time, Nippon Steel revised the domestic expected construction steel demand during the same period to 11.66 million tonnes, a decrease of 2.56 million tonnes than the same period of last year.

Nippon Steel said that if the domestic steel mills continue to maintain the production at a high level, the steel supply is likely to overpass the supply in the near future.

Briefly

Electricity shortage in Chinese provinces forces many plants to stop work.

The German steelmaking industry has finished 2007 with a record index of 48.55 million tones of steel and 31.07 million tones of cast iron produced.

According to China there is disunity on the bismuth market and the leaders are preparing to make a conglomerate.

Norddeutsche: the increase of Dow Jones index in 2008 may cause increase of the prices of metals.

19th February, 2008

To
HE Mr. Petar Dimitrov, Minister of Economy

HE Mr. Petar Mutafchiev, Minister of Transport

HE Mrs. Nina Radeva, Deputy Minister of Economy

HE Mr. Georgi Petarneichev, Deputy Minister of Transport

Government of Bulgaria

Copy to
HE Mr. Sergei Stanishev, Prime Minister of Republic of Bulgaria

Dear Sirs/Madam,

The Management Board of Kremikovtzi would like to put to your attention the following facts for your consideration in connection with the smooth operation and commercial activities:

1. The new CEO, Mr. Guntupalli Jagannadham had assumed charge of the Company from 7th February, 2008

2. The primary mandate of the new CEO was to create conditions for smooth working of the company, so that Kremikovtzi AD and to protect interests of all stakeholders.

3. MB, plant heads, and all employees express their willingness and desire for smooth supply of raw materials in order to be ensured normal industrial environment.

4. Certain measures have been undertaken for normal raw material procurement which can provide in the frames of the following 90 days steel production of 100-110 Kt. and positive financial results.

5. After initial disruption by BDZ, we committed for payment schedule and organization plan for transportation of raw materials and finished goods.

6. In this connection, Kremikovtzi AD has ensured that the required raw materials are available and are waiting to be transported by BDZ.

7. The majority owner Mr. Pramod Mittal has already gone on record saying that he wants to put in strategic partners in place in a period of three months so that the best interests of all stakeholders of Kremikovtzi AD are protected.

8. We understand, BDZ, NEC and Bulgargaz are

commercial entities having their expenses and problems. Their desire for Kremikovtzi AD to settle all old dues in short terms or immediately could disturb performance on the commitment as well as to these companies but to stakeholders, too.

9. We would like to focus your attention again to the fact that only in 2007 was paid totally to BDZ, Bulgargaz and NEC over 267 mln. BGN comprising current and old liabilities. During that period the company did not have any non serviced tax and insurance liabilities.

10. The management of Kremikovtzi would like to reaffirm that it is able to meet the current expenses for raw material supply in order to provide smooth operation and commercial activities.

The management of Kremikovtzi AD seeks your support in order to ensure normal production and commercial activities in the next 90 days. While during that period all current expenditures will be paid for services rendered by BDZ/NEK/Bulgargaz, after this period we shall have the ability to start paying our old dues.

If the stated above is not favorably considered the factual situation will be extremely negative not only to the company but to the stakeholders, as well.

Yours sincerely,

Management Board of Kremikovtzi AD
Guntupalli Jagannadham, Rammohan Bhawe,
Alexander Tomov, Plamen Stoyanov, Santanu
Kumar Nath, Mita Jha, Petko Georgiev,
Ashfaq Ahmad, Stoian Pirlov

The security of the company

The thefts seriously harm all of us

The new organization of security of the plant and pass system implemented within its territory, the personal responsibility of heads of departments for inventory concerned, providing all storehouses with alarm systems - this is how newly appointed head of Security department, Mr. Lyudmil Kostadinov illustrates the

management's policy.

He explains that measures of consolidating this activity have been taken in the past 2 months. Security department is now a part of Kremikovtzi structure, and salaries are almost double higher than in private companies. This fact encourages the employees in showing better perform-

ance.

A set of orders has been issued by the management, which fully supports the innovation in this aspect. One of the orders supposes all of the structural teams' heads to be personally responsible for safeguarding not only the staff, but inventory concerned, as well.

The practice of a common list of external companies' employees' entrance within the plant is no more there; they all have been decided to provide with entrance passes - equal requirement as for our own workers, too. Nobody is allowed to enter the company's territory without such an entrance pass since 1 February.

ANOTHER RECORD YEAR FOR GLOBAL STEEL PRODUCTION IN 2008

MEPS forecasts world steel production in 2008 at 1420 million tonnes. This equates to a 5.7 percent increase on our predicted outturn of 1343.5 million tonnes in 2007. Over the past twelve months demand continued to be firm, with output rising by approximately 7.5 percent.

Blast furnace iron making in 2008 is forecast to top 1000 million tonnes - 6 percent up on our anticipated figure of around 946 million tonnes in 2007. This represents a gain of 8 percent over the 2006 outturn. A substantial rise is also foreseen for direct reduced iron manufacturing in 2008 after significant improvement in the previous twelve months.

EU-27 steel production in 2007 is now expected to be approximately 210 million tonnes. Our forecast for 2008 is marginally higher at 215 million tonnes. We envisage quite stable demand but the domestic producers should claw back some of the previous year's consumption lost to third country suppliers.

Steel demand in the rest of Europe expanded by almost 2.5 million tonnes in 2007. Strong demand in

Turkey was the main driver for this advance.

Crude steel production in the former USSR in 2007 is predicted to be significantly above 124 million

tonnes in the region.

Nafta steel production in 2007 will be near to 133 million tonnes - one percent up on the prior year. Further similar improve-

America will be near to 48 million tonnes in 2007 - up 6 percent on the year earlier figure. This improvement is mainly due to rising local demand. Further growth to near 52 million tonnes is anticipated for 2008.

Steel production in 2007 in Africa will be slightly up on the outturn in the previous year. A substantial improvement is anticipated for 2008 as new capacity comes on stream and furnace relines are limited.

Production of steel in the Middle East is increasing briskly. Demand is accelerating at a rapid pace. Output in 2007 will be one million tonnes up on the year earlier figure. Gains of more than 2 million tonnes are forecast for 2008.

Steel output in the Asian region will be above 750 million tonnes in 2007 - rising to in excess of 800 million tonnes in the following twelve month period. Consumption from the construction industries is the main driver for this continued substantial improvement.

Steel manufacturing will be marginally higher in Australia in 2007. Further modest improvement is forecast for 2008.

MEPS - Global Crude Steel Production Estimate (tonnes)		
Region	2007	2008(f)
EU 25	210.0	215.5
Other Europe	30.5	33.4
Former USSR	124.4	131.2
NAFTA	132.8	134.8
South America	48.0	51.8
Africa	18.9	20.1
Middle East	16.4	18.5
China	489.0	533.0
Japan	119.8	120.0
Other Asia	144.9	152.7
Oceania	8.8	9.0
Total (rounded)	1344	1420

Source: MEPS - World Steel Outlook

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Steel production in South