



Tinplate Outlook Quarterly Report

June 2008

Intelligence Service

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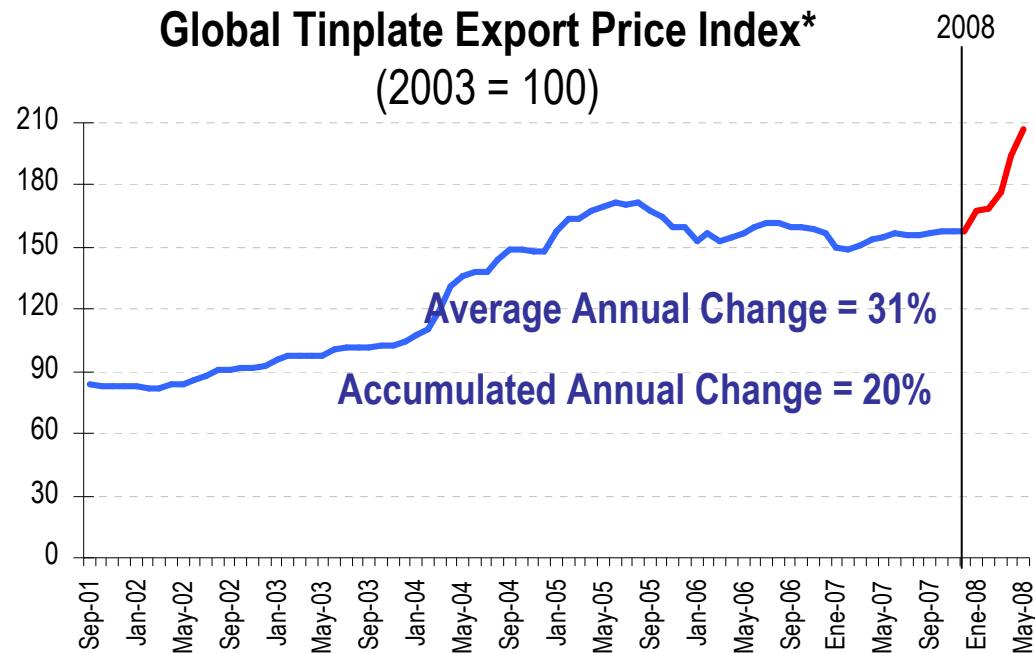
- 1) Recent trends in global tinplate Prices**
 - a) Recent tinplate price developments.
 - b) Key drivers behind the tinplate price fall.
- 2) Tinplate price trends and perspective 2008**
 - a) Price forecast and key drivers behind it.
- 3) Special analysis on Cold Rolled.**
- 4) Regional Insight**



a) Recent Tinplate price development



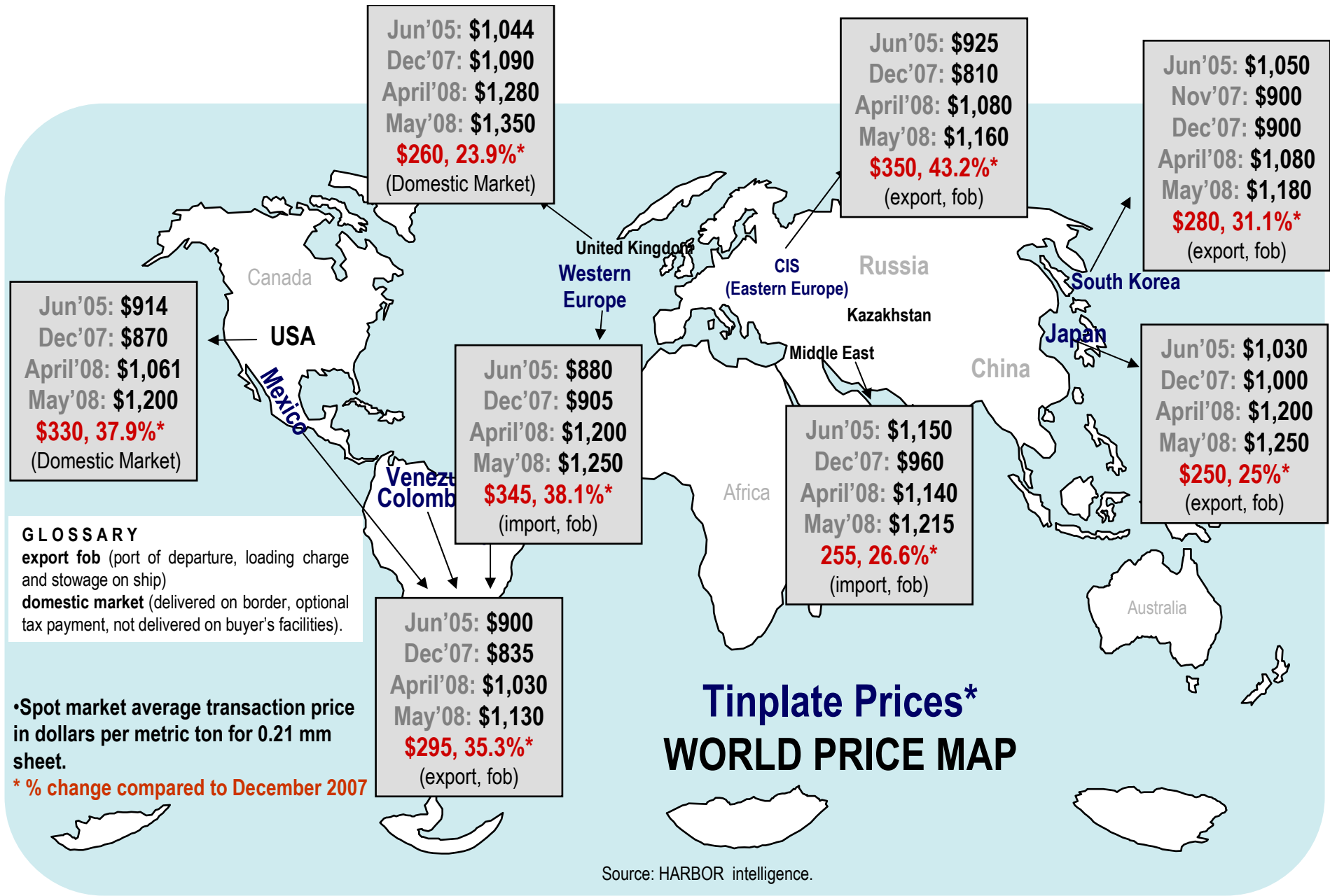
Global Tinplate export price increase



- The average tinplate export price increased 6.7% in May with respect to April of this year.
- This tinplate price increase is mainly driven by strong increases in hot and cold rolled prices.

* The index includes the spot price of weighted export prices for Mexico, Venezuela, Colombia, Brazil, Japan, South Korea and the CIS.
Source: HARBOR intelligence.

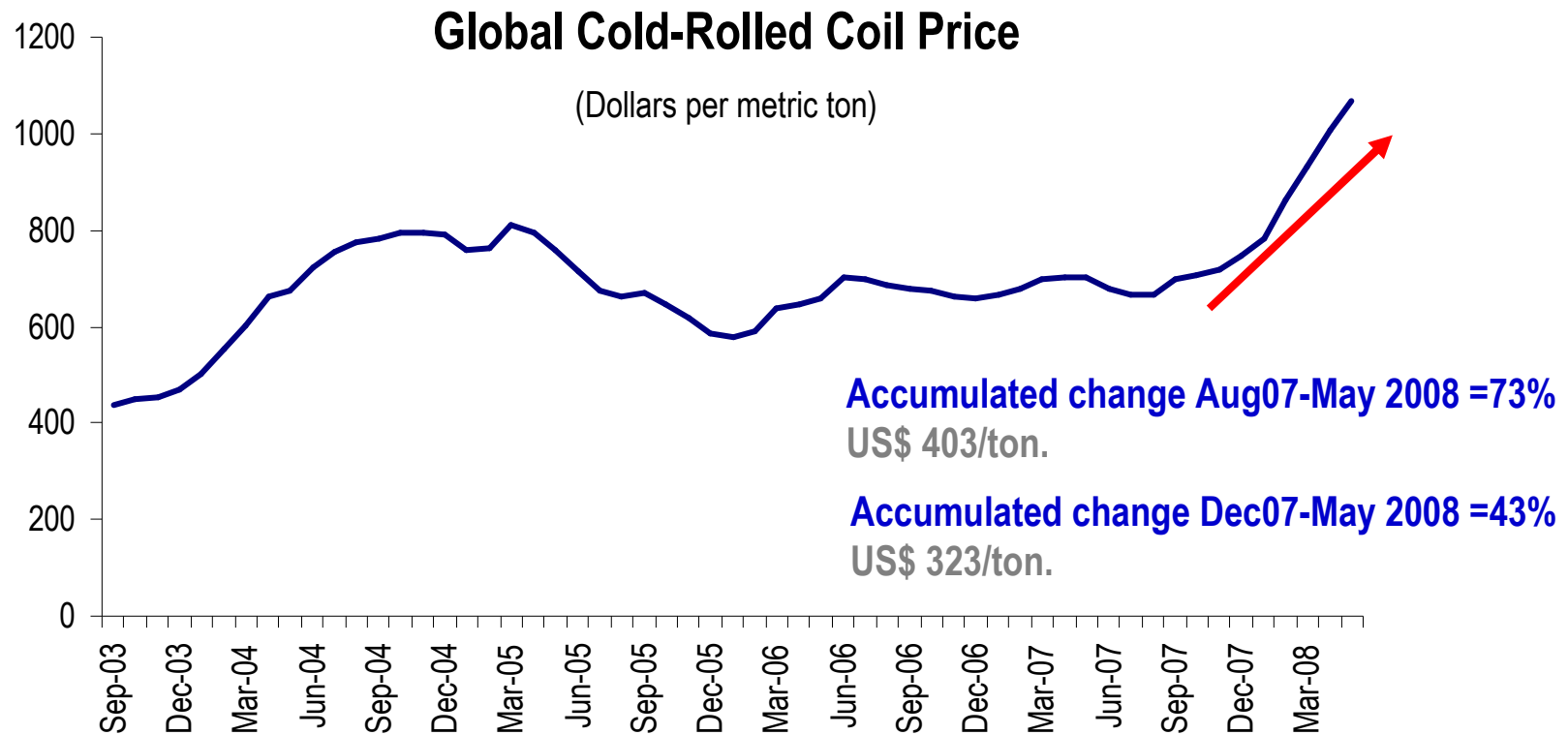




b) Key drivers behind the recent tinplate price change



A strong increase in cold rolled prices...



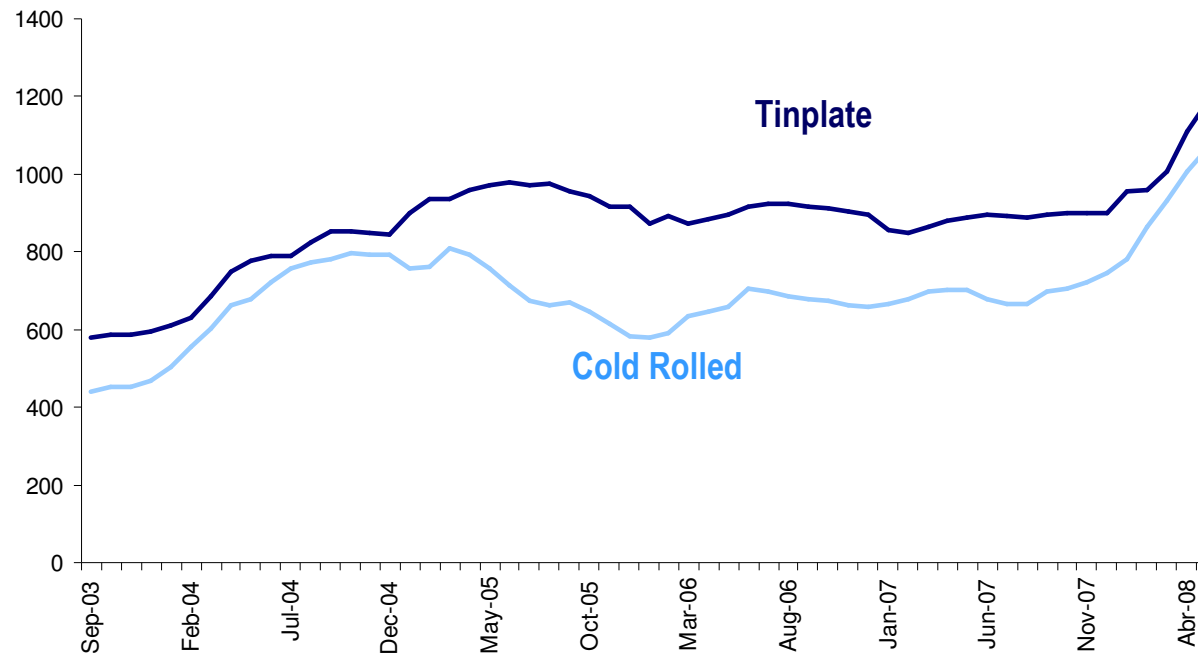
Source: HARBOR intelligence.



... has push tinplate prices higher...

Global Spot Average Tinplate Export Price* vs Global Cold Rolled Price **

(dollars per metric ton)

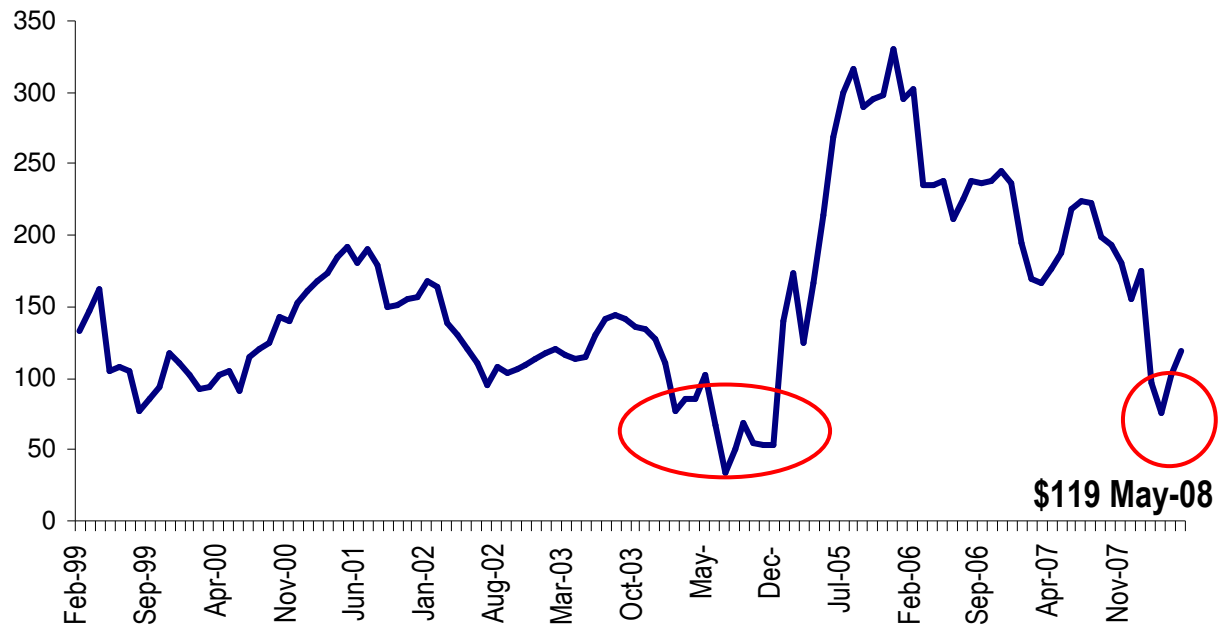


Source: Harbor intelligence with * weighted export prices for Latin America, Europe, Japan, South Korea and the CIS countries. **HARBOR intelligence.



...as the price differential between cold rolled and tinplate has narrowed to \$119 dollars from a \$160 dollars average historical differential.

Price differential between tinplate and Cold rolled (Dollars per ton)



The current high cold rolled price has reduced the price gap with tinplate to levels similar to 2004.

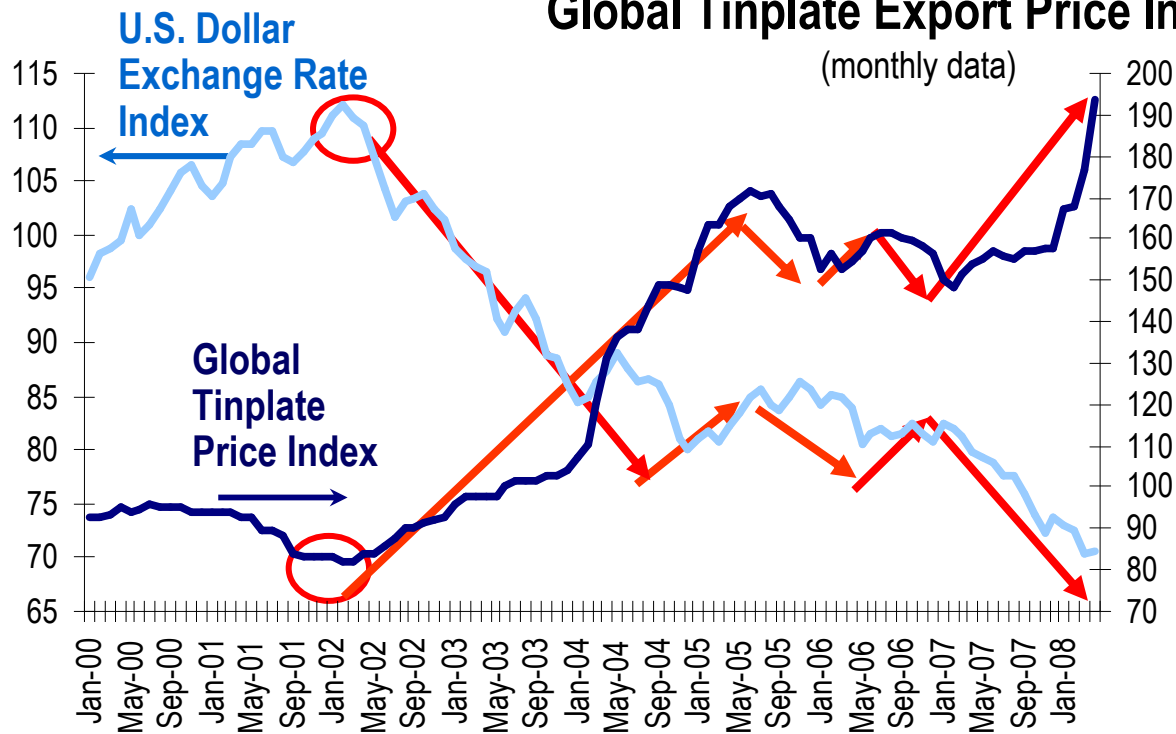
This is translating, as it did in 2004 into higher tinplate prices and short term tinplate availability problems, as tinplate mills are less willing to produce it, because hot and cold rolled are giving them higher profit margins.

Source: HARBOR intelligence



The depreciation of the dollar against the major currencies around the world has also contributed.

U.S. Dollar Exchange Rate* vs. Global Tinplate Export Price Index**

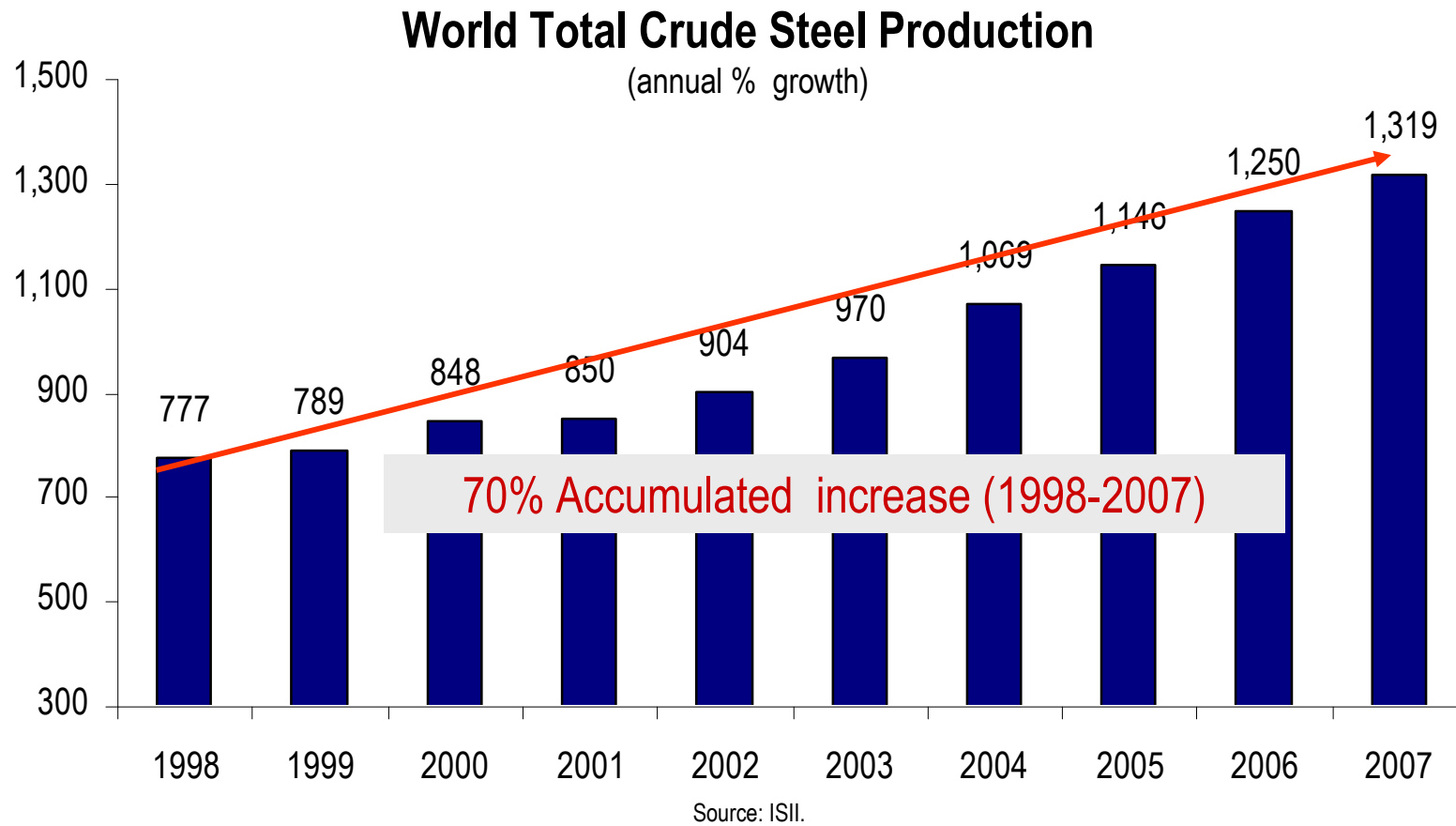


The majority of tinplate producers set their prices in dollar terms, if their local currency appreciates against the dollar, they have to increase their prices in dollar terms in order to still get the same amount of money in their local currency as they were getting before the dollar depreciation.

* Dollar exchange rate vs. major currencies. ** Weighted export prices for Mexico, Venezuela, Colombia, Brazil, Japan, South Korea and the CIS
Source: HARBOR intelligence.



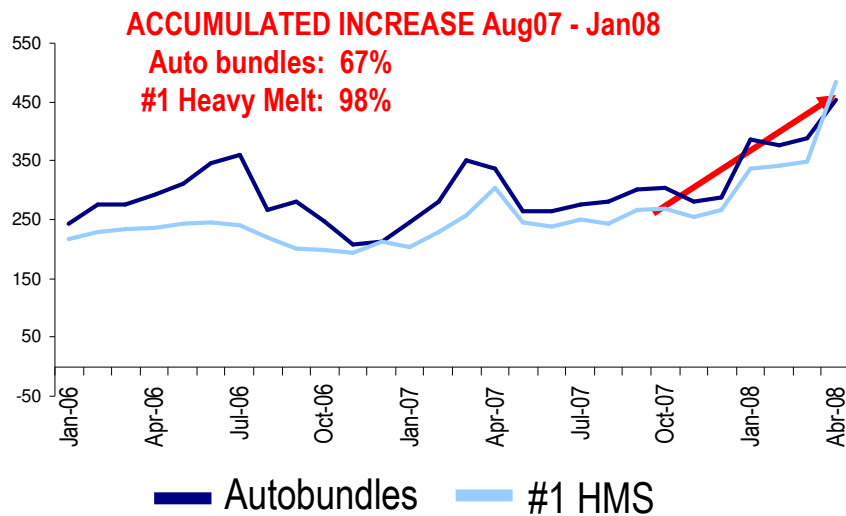
A non stop growing total crude steel production in the world...



..has kept steel making raw materials supply tight and its prices at high historical levels pressing steel prices.

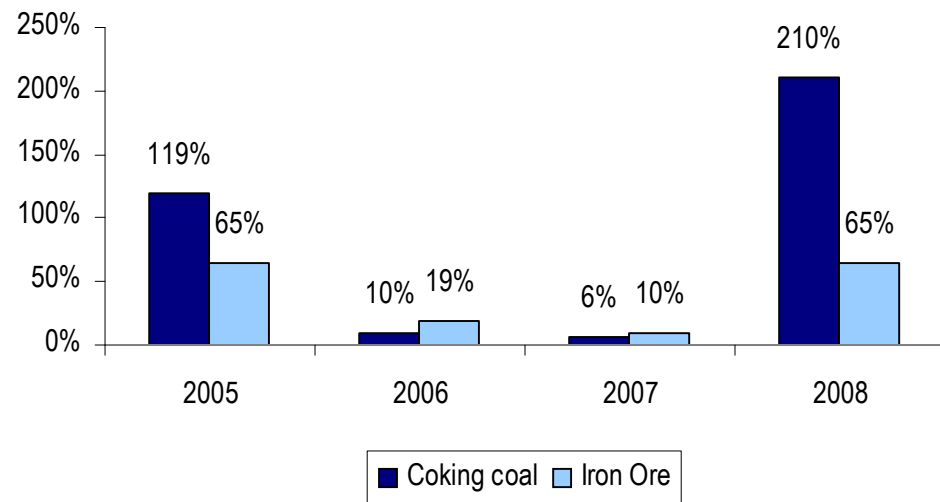
U.S. Steel Scrap Prices

(Midwest prices, Dollar per metric ton)



Price increases on Coking Coal and Iron Ore in annual contracts

(yoy % annual price change)



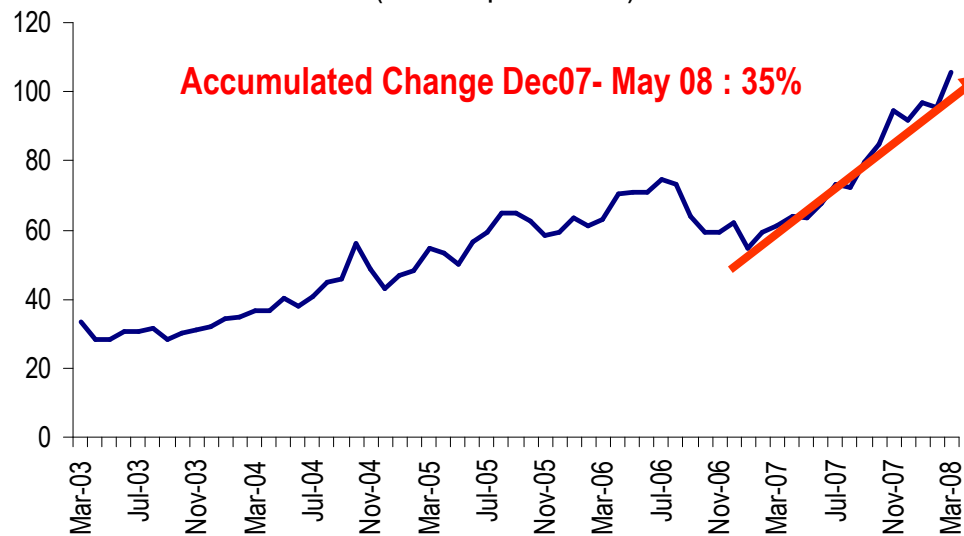
Source: HARBOR intelligence with Cahners data.



The strong hike in energy costs and freight rates continues to pressuring tinplate prices .

Petroleum

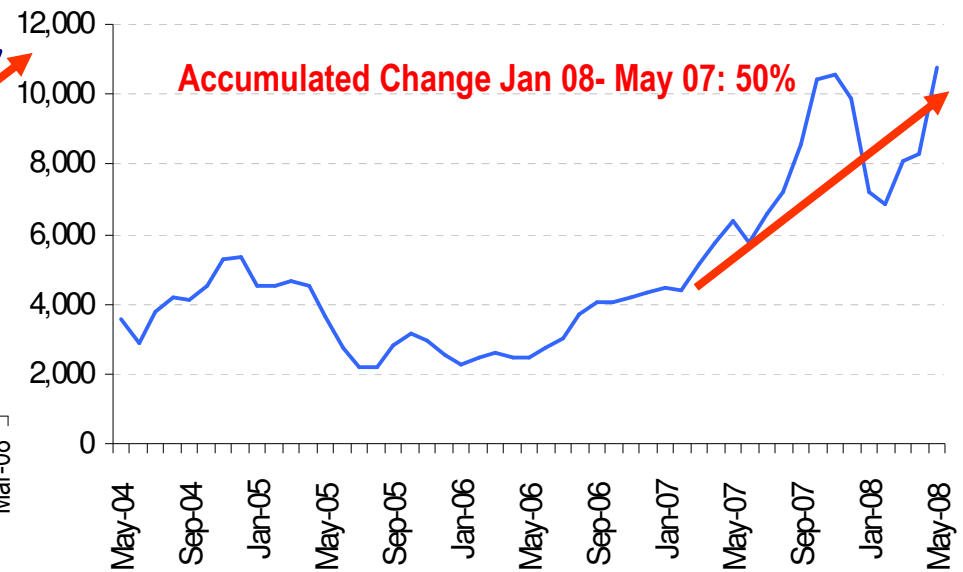
(Dollars per. barrel)



Source: HARBOR intelligence with Bridge data.

Baltic Dry Index

(indice internacional de fletes marítimos)

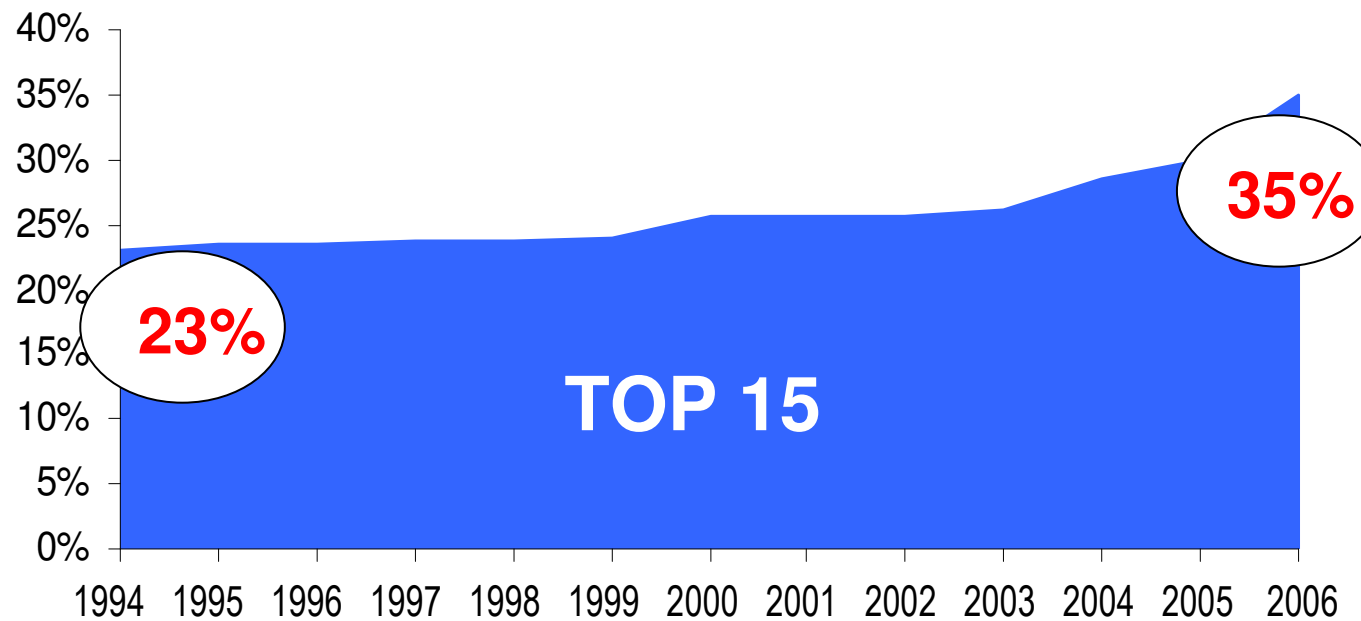


Source: HARBOR intelligence with Baltic Exchange data.



On the other hand, a more consolidated industry gives steelmakers a higher control of prices.

Top 15 Producer's Share on World Steel Production



Source: HARBOR intelligence with IISI data



The U.S. and Mexican steel environment - April 2008



2) Tinplate price trends and perspective for 2008

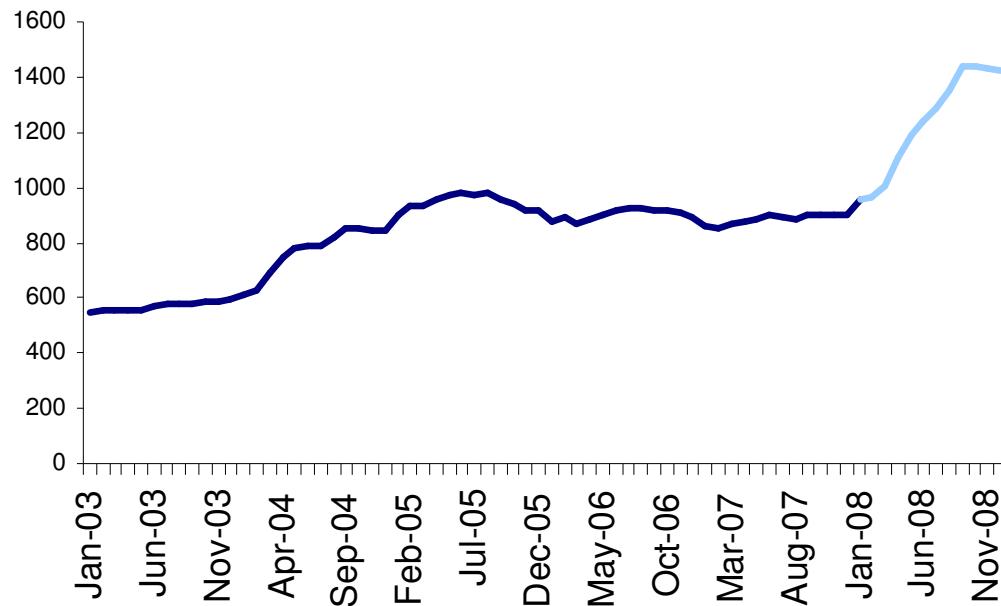


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Forecast 2008

Global Spot Tinplate Export Average Price *



Average Annual growth	
2007	-1.9%
2008 F	*Example Report

* FOB Average price of the main tinplate export companies for 0.21mm material. The prices include weighted spot export prices for Latin America, Europe, Japan, South Korea and CIS.
Source: Harbor intelligence.



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a) Price forecast and key drivers behind it.



In sum in 2008:

- We expect the average tinplate spot export price will continue to increase strongly during the second and third quarter of this year but it will stabilize in the last quarter of this year.

We also expect to see short term tinplate availability problems, as mills are less willing to produce tinplate, as they prefer to increase their hot and cold rolled production as this products are giving them higher profit margins.

This is due mainly to:

- We expect cold rolled price will start falling in the forth quarter of this year. If in the coming months the price difference between cold rolled and tinplate does not goes back closer to historical average levels (\$160 dollars), we might not see tinplate prices falling this year, as mills will continue to increase tinplate price to reestablish the historical price difference with cold rolled steel.



In sum in 2008:

- We expect steel making raw material costs will continue to add pressure to tinplate prices as they will remain high this year.
- Developing countries strong steel demand will more than compensate the weakness in advanced economies. Overall, steel world demand is expected to increase 6.8% versus last year.
- We foresee tinplate production will gradually ceased its decline as hot and cold rolled prices start to fall along this year and tinplate margins start to become more attractive for mills to enhance its production.



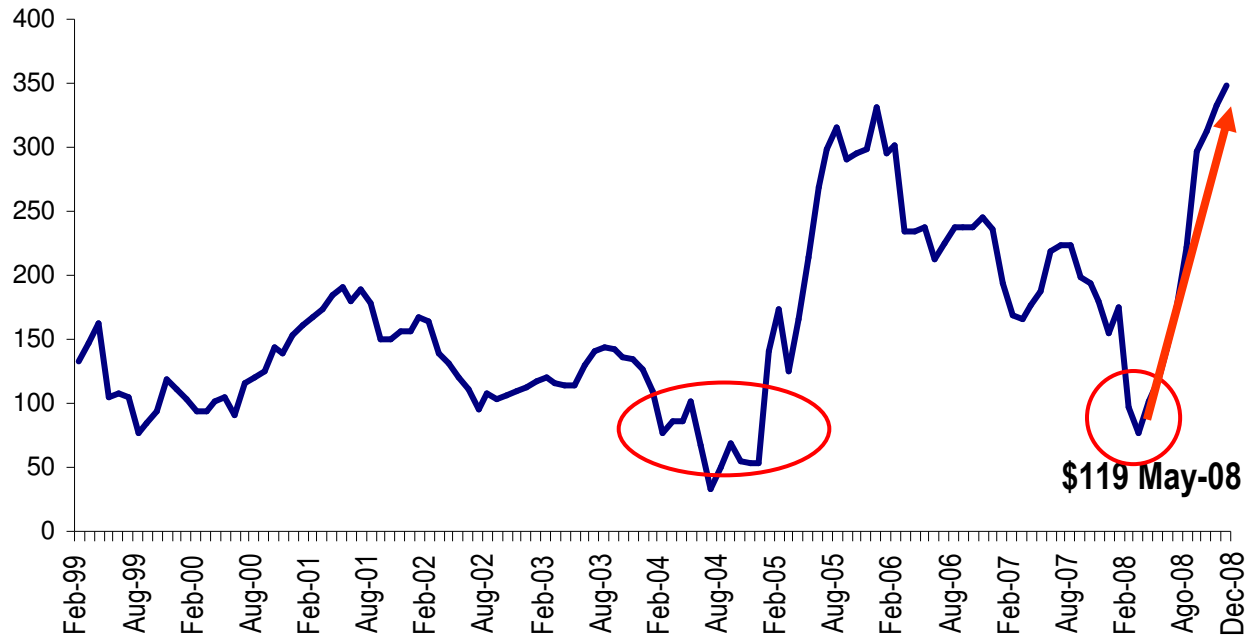
In sum in 2008:

- **Freight rates are expected to remain strong during this year, driven by a strong demand for commodities such as iron ore, coal, and grains. Port congestion will sustain the high levels of freight costs in the short term. A decline in freight rates is expected for 2009, as the delivery of new vessels takes place in the market.**



The price differential between cold rolled and tinplate will widen in the coming month as tinplate prices continue to increase in the coming months and...

Price differential between tinplate and Cold rolled (Dollars per ton)



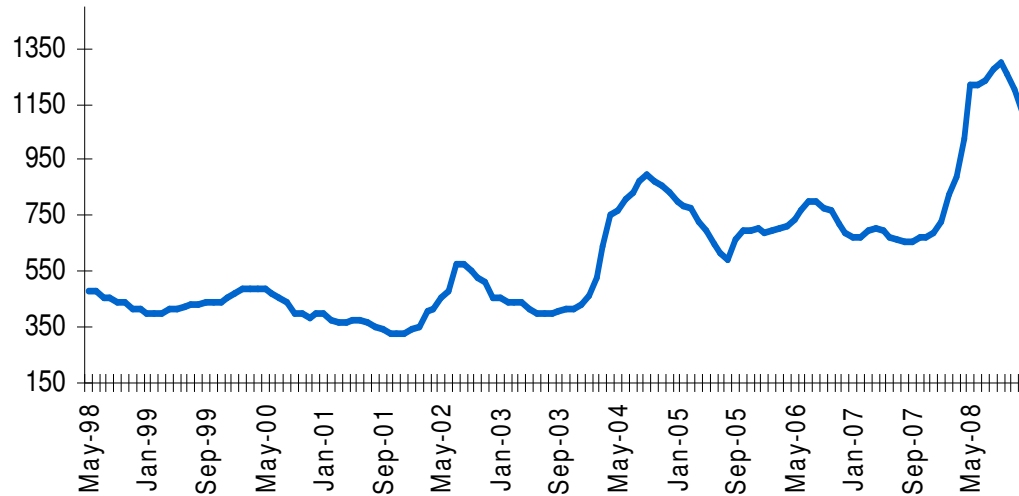
Source: HARBOR intelligence



...cold rolled prices start to fall in the last quarter of this year...

U.S. : Cold-Rolled Steel Sheet

(Midwest price, dollars per metric ton)



U.S. : Cold-Rolled Steel Sheet

(Midwest price, dollars per metric ton)

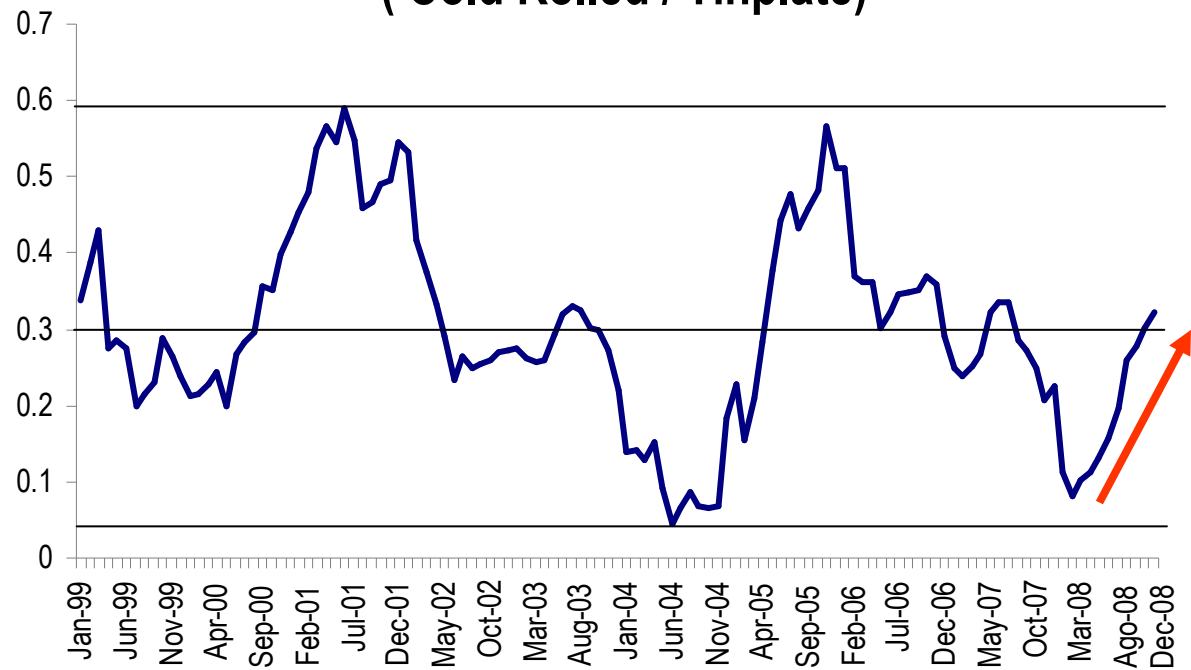
2007	2008E
Annual Average	
*Example Report	

Source: HARBOR intelligence with historical data of purchasing Magazine.



...bringing tinplate price back to its historic average price difference with cold rolled of 30%.

Price Ratio between tinplate and Cold rolled (Cold Rolled / Tinplate)



Source: HARBOR intelligence



Special analysis on Cold Rolled



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The rate at which cold rolled prices have increased this year all over the world has taken by surprise not only the steel analysts but even the steel mills. From all the countries where cold rolled is rising, the US has surprised everybody the most. It is difficult to understand why a country that is at the verge of recession registered a **49% increase in the last eight months**. In the following pages we will explain what are the market elements that explain the US strong cold rolled price surge.

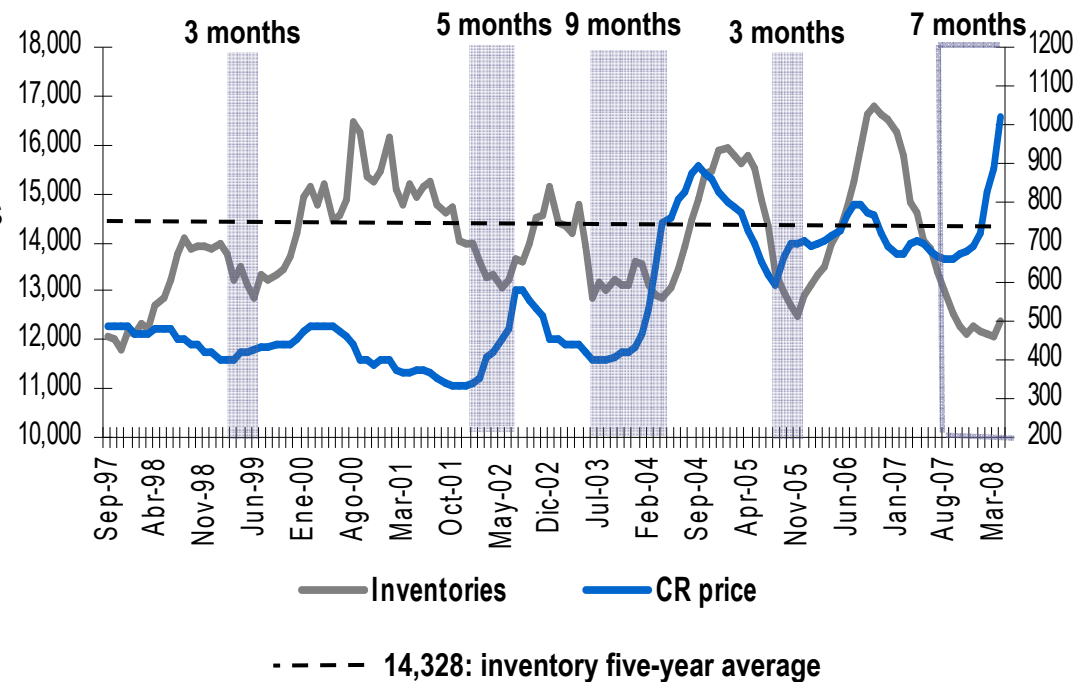


Market elements that have contributed to the strong cold rolled price increase in the US.

1) Steel Inventories:

Low steel inventories tend to support strong price increases, as this situation forces buyers to accept mills price hikes, given the limited availability of material. Currently inventories are at their lowest level in 10 year. In recent months the tight supply that prompted steel price increases has been exacerbated by distributors behavior, as 7 months passed before they restarted their buying activity, when the historical lag between distributors reaction and the start of price increases has been in average four months. Currently steel inventories at service centers are 13% below average of the last 5 years, and we expect a slow re-stocking phase as distributors remain reluctant in building expensive inventories.

U.S. Service Center Monthly Inventories and U.S. Cold Rolled Steel Sheet Price
(volume in thousand tons; Midwest price in dollars per metric ton)



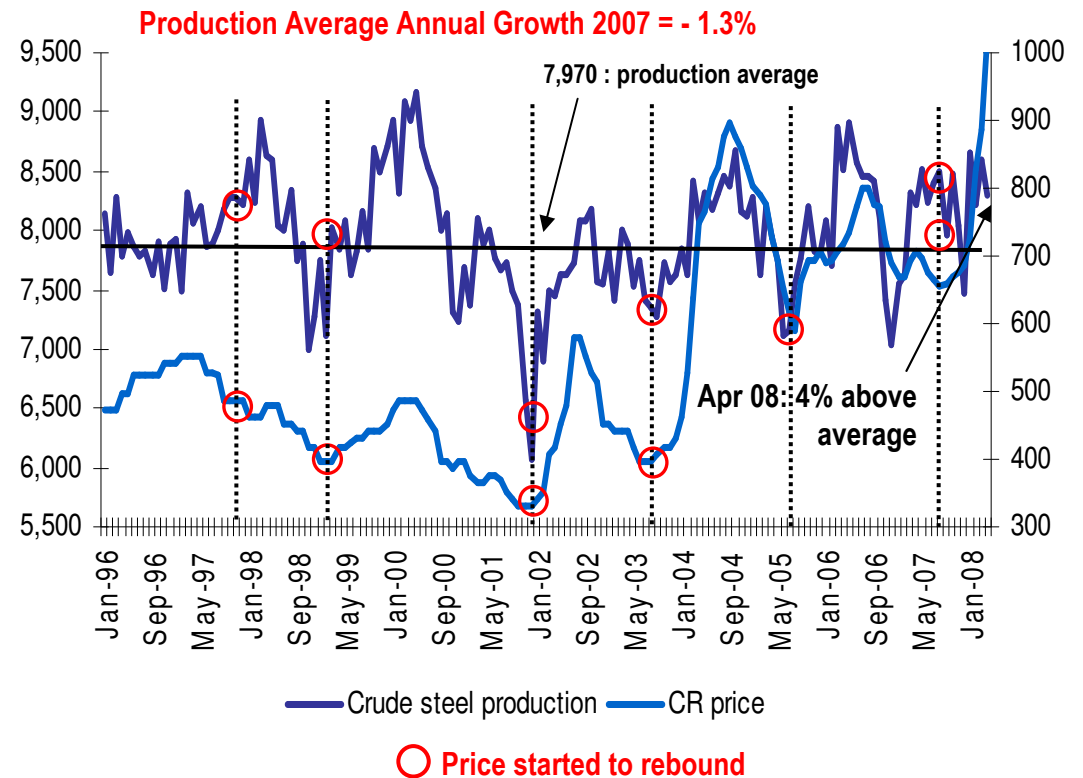
Market elements that have contributed to the strong cold rolled price increase in the US.

2) Production discipline:

Mills have shown discipline during the rising price trend, which has helped maintain the high levels of steel price. Even though production rates are slightly above the historical average they have not yet reached the high levels present in past years.

Also, domestic mills have been benefited from the absence of steel imports, which has increased mills' bargain power with US steel buyers.

U.S. Monthly Crude Steel Production
vs.
U.S. Cold Rolled Steel Sheet Price

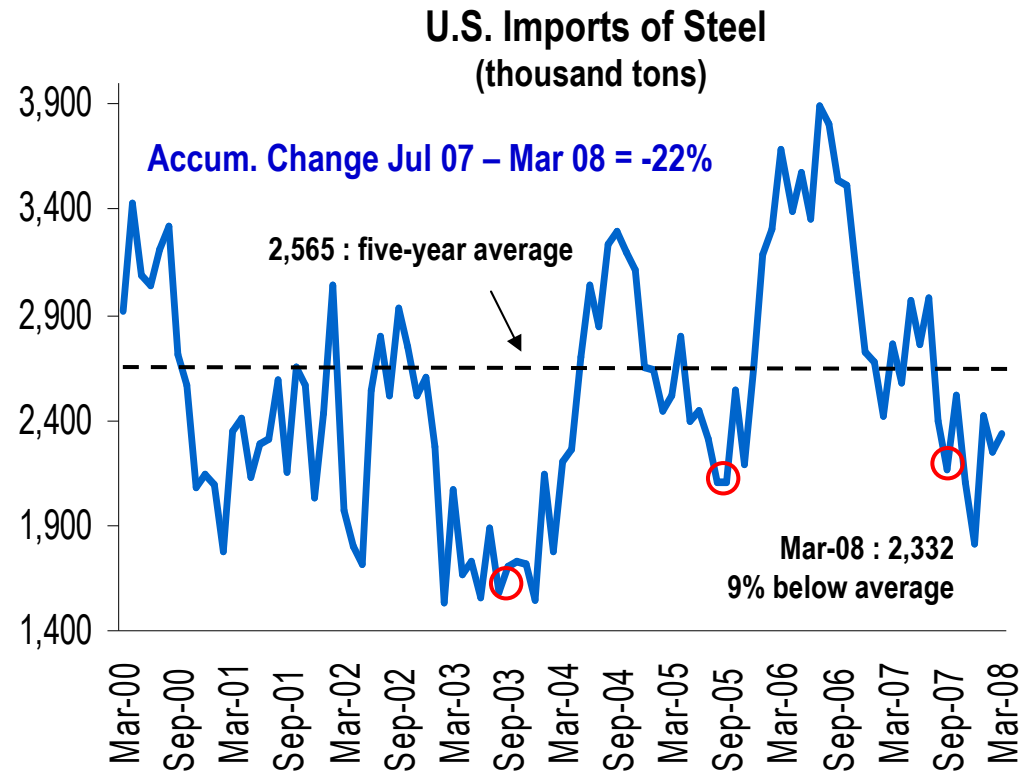


Market elements that have contributed to the strong cold rolled price increase in the US.

3) Steel imports:

The limited import supply has been the main driver of the tight supply present in the US market. Historically imports have been well below the steel import average when steel prices start to increase. Currently, steel imports are still limited and we expect to remain in low levels as world prices continue to be higher than US steel prices, the dollar remains weak, and freight rates have reached historical highs.

This helps local steel mills pass higher prices as they face less competition.



Source: HARBOR intelligence US Census Bureau

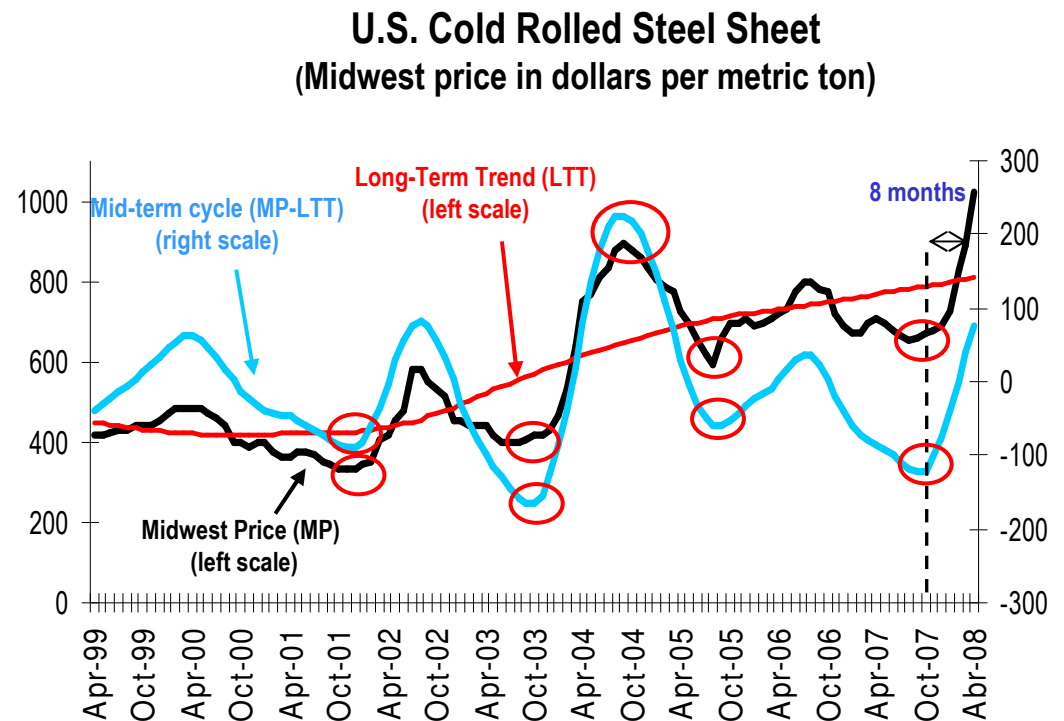


Market elements that have contributed to the strong cold rolled price increase in the US.

4) Cycles

The average cycle length is between 8 to 12 months. Historically strong price increasing trends have been supported by an upwards direction of both, the mid-term cycle and the long-term cycle, which is also the case in the recent price trend.

The current price cycle has accomplished 8 months, so we expect the rising price trend continues in the coming months.



Source: HARBOR intelligence with Cahners data.

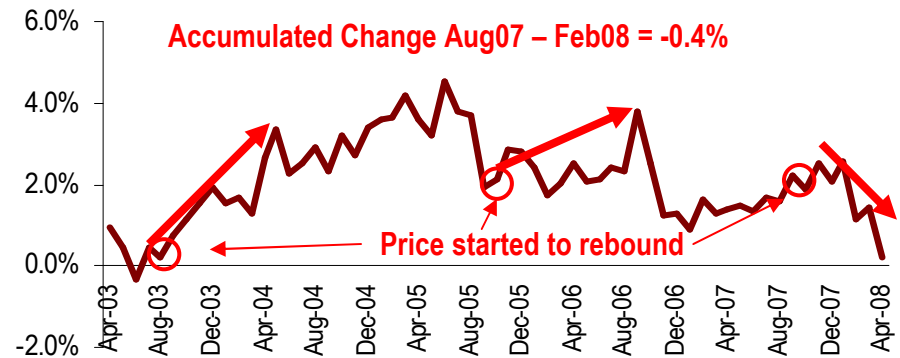


Market elements that have contributed to the strong cold rolled price increase in the US.

5) Demand: US economy

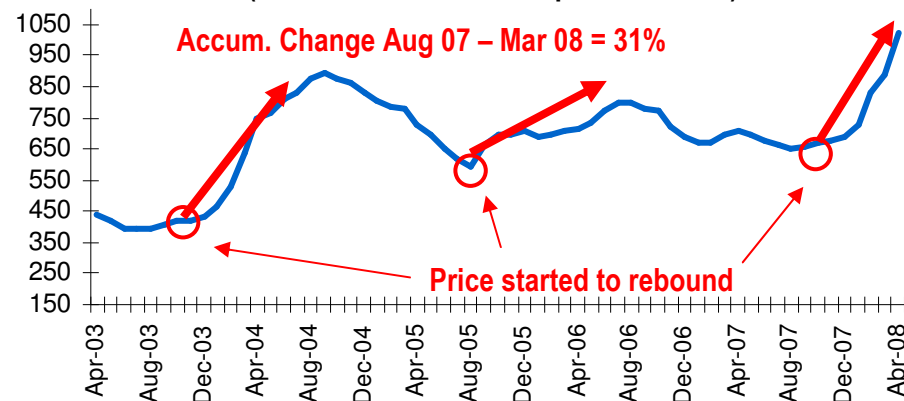
The US economic activity is undoubtedly weak, but the steel demand is being supported by the lack of steel inventories, although distributors and end users are buying as they need. The supply tightness has overwhelmed the soft demand in the US, making steel prices reach record levels in recent months.

U.S. Industrial Production Index
(seasonally adjusted index, % annual growth)



Source: HARBOR intelligence with Federal Reserve Board data

U.S. Cold Rolled Steel Sheet
(Midwest Prices, dollars per metric ton)



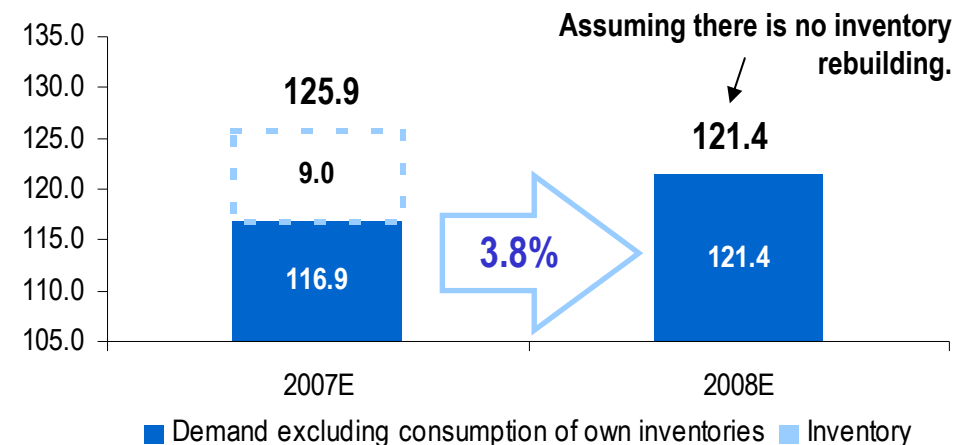
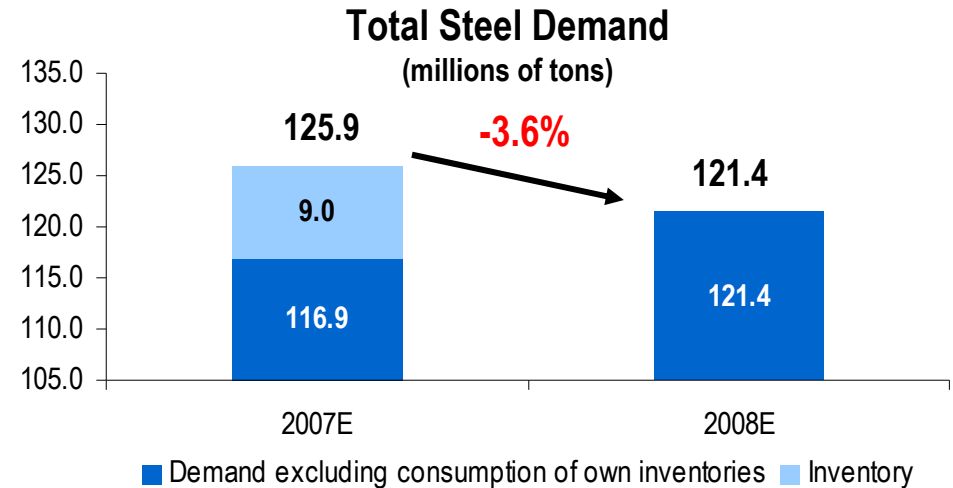
Source: HARBOR intelligence with Cahners data.



Market elements that have contributed to the strong cold rolled price increase in the US.

5) US Demand supports higher prices.

The main source of demand will be the need for material due to the large de-stocking phase during the past year. The total demand of steel for 2008 is expected to be lower than 2007, but given the fact that in 2007 inventories supplied 7% of steel consumption in the US, the real expected demand (excluding consumption of own inventories) for 2008 is higher than 2007. This estimation is conservative, as no inventory rebuilding is considered. We expect such re-stocking phase to be slow in 2008, but if present, it could bring steel demand higher and sustain even more the current steel price increases.



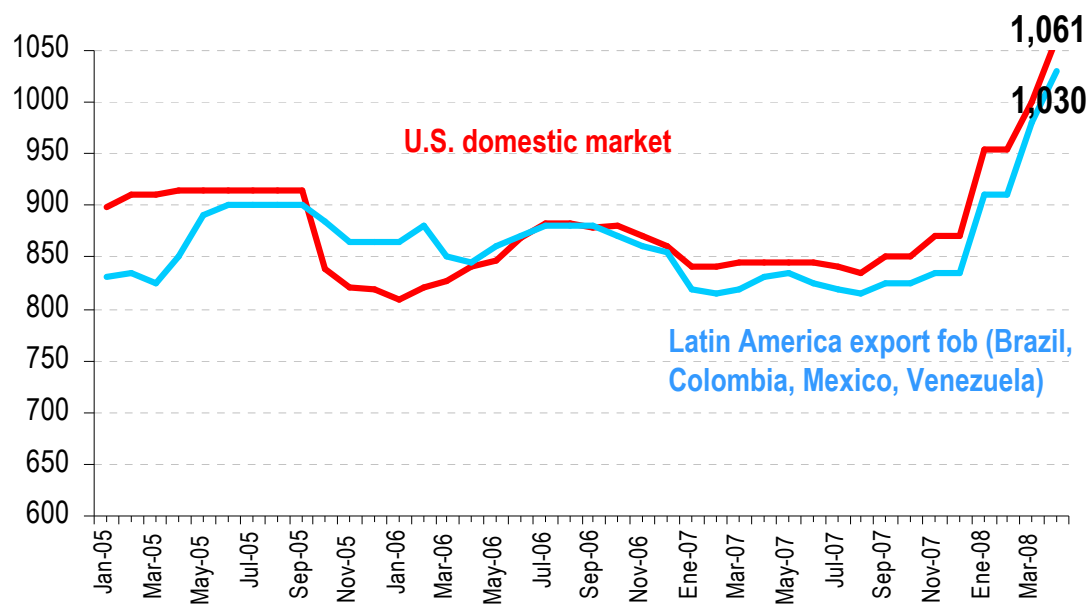
Source: Harbor Intelligence with AISI and GS estimates



Arcelor Mittal cancels Sparrows point tinplate plant.

Americas Tinplate Prices*

(monthly average price of transaction in dollars per metric ton)



* Based on 0.21 mm material.
Source: HARBOR intelligence.

- ArcelorMittal has finally sold Sparrows Point (a fully-integrated steel mill with an annual capacity of 700,000 tonnes of tinplate), to Severstal in 810 million dollars.

- The Venezuelan government has announced the nationalization of Sidor, the main supplier of slab of Ternium's mills in Mexico. Sidor has a tinplate annual capacity of 240,000 tonnes.



Balance between production and consumption of TP and TFS in USA.

U.S. : Balance between production and consumption of TP and TFS

(thousands of metric tons)

TIN MILL - USA	2006	2007	3Q 07	4Q 07	1Q 08E	2Q 08E	3Q 08E
Shipments	2,476	2,370	586	638	600	610	580
Exports	215	214	51	61	60	70	65
Imports	609	591	144	137	120	140	130
Apparent Consumption	2,870	2,747	679	714	660	680	645

E = Estimated.

Apparent Consumption = Shipments – Exports + Imports.

Shipments = Sales or total shipments, sometimes greater than production because it may include material inventories.

Source: HARBOR intelligence with ISSB and AISI data.



Balance between production and consumption of TP and TFS in Brazil.

Brazil : Balance between Production and Consumption of TP and TFS

(thousands of metric tons)

TIN MILL - Brazil	2006	2007	3Q 07	4Q 07	1Q 08E	2Q 08E	3Q 08E
Production		933	218	232	230	231	251
Exports		313	74	76	81	82	80
Imports		74	9	14	6	8	11
Apparent Consumption	0	694	153	170	155	157	182

E = Estimated.

Apparent Consumption = Shipments – Exports + Imports.

Shipments = Sales or total shipments, sometimes greater than production because it may include material inventories.

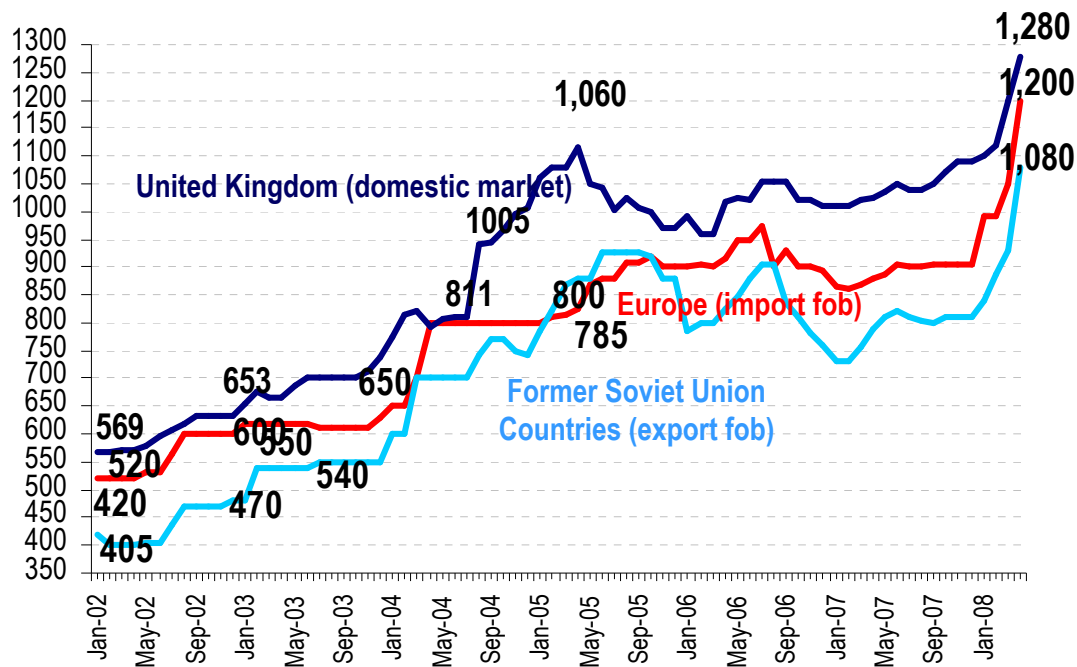
Source: HARBOR intelligence with IBS, CANSTAT, ISSB and AISI data.



Some European mills cut their tinplate production.

Europe Tinplate Prices*

(monthly average price of transaction per metric ton)



* Based on 0.21 mm material.
Source: HARBOR intelligence.

•Corus announced that it plans to cut back on its production capacity of tinplate by 300,000 tonnes. The planned cuts have as objective avoid the overcapacity in world's tinplate market. The company will reduce capacity in 150,000 tonnes at its Norway plant, and by 150,000 tonnes its mill in Wales.



Balance between production and consumption of TP and TFS in Europe (15).

Europe : Balance between Production and Consumption of TP and TFS

(thousands of metric tons)

TIN MILL - EU (15)	2006	2007	3Q 07	4Q 07	1Q 08E	2Q 08E	3Q 08E
Production	4,545	4,491	1,152	1,011	1,112	1,205	1,180
Exports	1,563	1,317	352	354	351	363	360
Imports	654	541	140	125	148	150	151
Apparent Consumption	3,636	3,715	940	782	909	992	971

E = Estimated.

Apparent Consumption = Shipments – Exports + Imports.

Shipments = Sales or total shipments, sometimes greater than production because it may include material inventories.

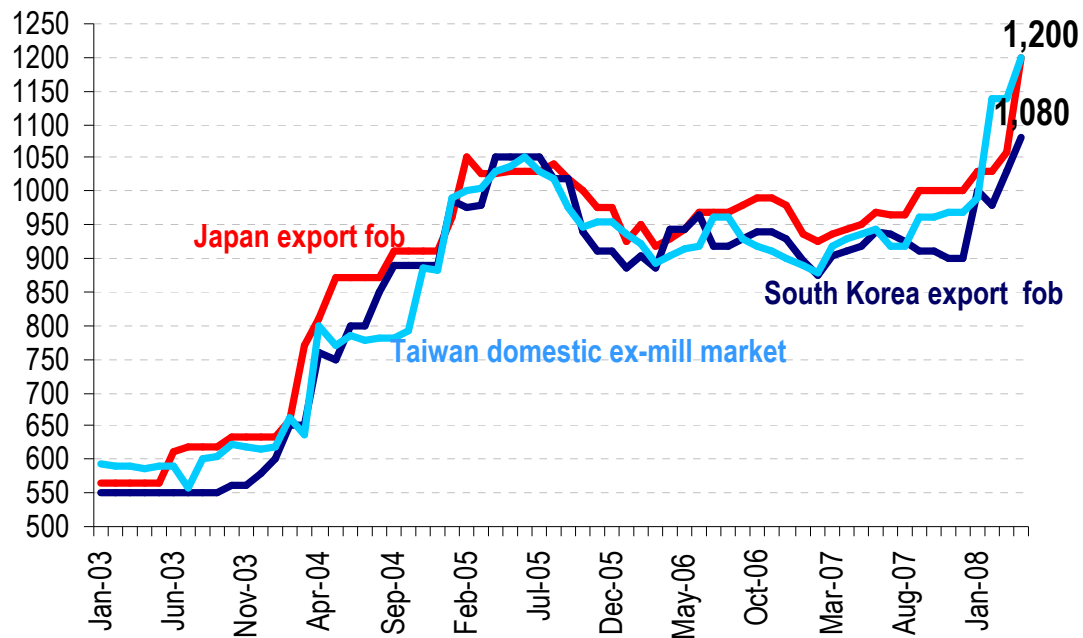
Source: HARBOR intelligence with JISF, KISA, TSIIA and SEAISI data.



Japanese mills announcing further price increases.

Asian Tinplate Prices

(monthly average price of transaction per metric ton*)



* Based on 0.21 mm material.
Source: HARBOR intelligence.

- It is expected that China adds new capacity production lines of tinplate and TFS of 650,000 annual tonnes by the half of next year. The companies behind such production increases are Hainan Haiwoo Tinplate Industry, a joint venture between the Japanese JFE and the Korean TCC Steel (200,000 tons), Baosteel (200,000 tons) and Zhongyue Posco Tinplate Industrial (250,000 tons).



Balance between production and consumption of TP and TFS in Japan

Japan : Balance between Production and Consumption of Tinplate and TFS

(thousands of metric tons)

TIN MILL - Japan	2006	2007	3Q 07	4Q 07	1Q 08E	2Q 08E	3Q 08E
Production	954	994	251	258	261	263	245
Exports	646	707	193	183	190	185	190
Imports	18	10	2	1	1	1	1
Apparent Consumption	326	297	60	76	72	79	56

E = Estimated.

Apparent Consumption = Shipments – Exports + Imports.

Shipments = Sales or total shipments, sometimes greater than production because it may include material inventories.

Source: HARBOR intelligence with JISF, KISA, TSIA and SEAISI data.



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Balance between production and consumption of TP and TFS in China

China: Balance between Production and Consumption of Tinplate and TFS

(thousands of metric tons)

TIN MILL - China	2006	2007	3Q 07	4Q 07	1Q 08E	2Q 08E	3Q 08E
Shipments	642	610	151	149	162	163	165
Exports	195	229	72	56	50	52	51
Imports	335	289	75	55	50	58	59
Apparent Consumption	782	670	152	161	163	171	161

E = Estimated.

Apparent Consumption = Shipments – Exports + Imports.

Shipments = Sales or total shipments, sometimes greater than production because it may include material inventories.

Source: HARBOR intelligence with JISF, KISA, TSIA and SEAISI data.



Balance between production and consumption of TP and TFS in South Korea

South Korea : Balance between Production and Consumption of TP and TFS

(thousands of metric tons)

TIN MILL - South Korea	2006	2007	3Q 07	4Q 07	1Q 08E	2Q 08E	3Q 08E
Production	791	650	142	161	158	160	162
Exports	687	613	133	132	140	142	141
Imports	8	7	2	1	2	2	1
Apparent Consumption	112	44	11	30	20	20	22

E = Estimated.

Apparent Consumption = Shipments – Exports + Imports.

Shipments = Sales or total shipments, sometimes greater than production because it may include material inventories.

Source: HARBOR intelligence with JISF, KISA, TSIIA and SEAISI data.





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