

**August 26, 2005**

## INSG Statistic – only half the truth

After Nickel rose to highs of 15,400.-- US/mt, based on the 3 months pricing, surprising many traders, rates settled back down to a range between 14,800.00 US/mt and 15,150.00 US/mt, and so about 1,000.00 US higher than during the previous month. From the technical viewpoint a lasting breakout from the trading range would be required to give nickel some sort of clear direction again. New impulses could come from the price development of copper, or from new information about production figures of the stainless steel producers, or from the development of the US dollar / Euro rate.

The German steel group ThyssenKrupp is in the process of restructuring its steel activities. The holding company Steel will be closed on the 30th September 2005. The segments from this, Steel and Stainless Steel will be amalgamated into the independent groups, ThyssenKrupp Steel and ThyssenKrupp Stainless respectively. Jürgen Hermann Fechter will preside over the stainless steel division and Karl-Ulrich Köhler the steel division. Both managers will become part of the board of ThyssenKrupp AG. With regard to the short term share price development, this announcement may have been seen as a classic non-event in certain market circles, however varying discussions are beginning to surface since the news was released. After plans for an initial public offering in the steel division were stopped some years ago, due to an unfavourable stock exchange at the time, it would seem that this step has now definitely been put to rest. In fact, by using only a little imagination, a new strategy can be seen by the formation of two independent groups, and which, when evolved could most certainly have a considerable outcome on the share price. It has long been known that even though ThyssenKrupp is a world player in the stainless steel sector, its "pulling power" in the steel section, especially after the fusion of Arcelor and Mittal, is certainly not enough to play a vital role in global competition. With this restructuring however, favourable conditions can be met for a future fusion of steel interests, following a company takeover, or an outsourcing of a steel division in another company. Also in the stainless steel segment there would still be possibilities of a consolidation of interests despite strong concentration. At this point it would be too early to cite potential names, however new announcements from ThyssenKrupp should be expected in the not too distant future.

In an attempt at keeping more metal in the country to supply raw materials to the upcoming stainless steel industry, the Chinese authorities have abolished the duty free status for the import of ores and concentrates for reworking and subsequent mandatory export. This came into effect on 22nd August 2005.

According to the statistics of the International Nickel Study Group (INSG), in the first half of 2005, the nickel market had an excess supply of 10,000 mt, and this figure should probably remain the same for the whole of 2005. Why however the INSG, in all its statistics, refuses to acknowledge the importance of nickel scrap in the nickel figures is quite incomprehensible, especially considering that world wide scrap utilisation is almost 50%. In addition to this far more than 80% of nickel usage is from the production of stainless steel and other alloys, in which, complementary to primary raw materials, scrap is used in considerable amounts (see above). The figures arrived at by the INSG have therefore no conclusive significance regarding the actual nickel supply. It is difficult for statisticians to ascertain the world wide availability of scrap and scrap reserves, but to just leave them out of the statistics entirely does not help the quality of those statistics.



## LME (London Metal Exchange)

### LME Official Close (3 month)

August 26, 2005			
	Nickel (Ni)	Copper (Cu)	Aluminium (Al)
Official Close 3 Month Ask	14.860,00USD /mt	3.608,00 USD /mt	1.893,00 USD /mt

### LME stocks in mt

	July 25, 2005	August 26, 2005	Delta in mt	Delta in %
Nickel (Ni)	6.900	9.510	+ 2.610	+ 37,83 %
Copper (Cu)	25.550	64.925	+ 39.375	+ 154,11 %
Aluminium (Al)	530.950	507.700	- 23.250	- 4,38 %