

Addendum

Page XVII: Basis for Projection in Demand for 2008 (also pages 95 - 100)

The future BPSFC demand by 2008 is estimated at around 18.3 kt in Western Europe and 4.3 kt in North America. The 2003 demand appears much lower with only 3.6 kt (Western Europe) and 1.7 kt (North America).

This discrepancy can be explained as follows: The interested companies have a potential for external BPSFC supply which is somewhat limited by current company schemes. At this stage the companies are willing to give away to BPSFC suppliers only a low percentage of what is theoretically possible. One has to consider the 2003 volume as "test phase" for future BPSFC supply.

Some reasons are:

- Interested companies do not have any experience in co-operation with South African companies;
- co-operation has to be considered as trial and error process in the beginning – in this process companies have to find out which products can suitably be supplied from South Africa on a regular basis;
- decisions about outsourcing / external supply will take a long time (especially at big companies);
- companies will probably start with only a few selected BPSFC products in the beginning.

This period of developing a stable relationship between South African BPSFC suppliers and European / North American consumers is expected to take a few years. If the co-operation will work very well in 2005, an entire BPSFC market potential of 18.3 kt and 4.3 kt could be opened up to the South African suppliers.

Page 61: Demand for 200 series type material in Asia

200 series is relevant in special market segments such as flatware, holloware, cutlery and other metal goods. Some companies visited, such as Artstar, Rixing, Wah Keung, Wie Yit and Tong Yang Moolsan belong to these segments. Theoretically, these companies could be possible users of 200 series. However, 200 series was not an issue at these companies at the time of the visits in 2002. At that stage, only some 30,000 t of 200 series were imported to China according to the Chinese Stainless Steel Association.

Most of the companies seen, belong to the high end of Asian metal goods manufacturers. The firms are strongly export oriented, and therefore they still prefer grade 304.

The situation in Europe and North America might be changing in the near future. It seems that 200 series become more acceptable to consumers. Therefore, it may be assumed that the visited companies will also start to use 200 series for exports in the near future.

Page 64: Surface Finish

The surface finish of choice in Asia is 2B whereas substantial quantities of BA (bright annealed) are used in Europe and North America. This reflects the different cost structures of fabricators. In Asia, the additional labour cost of polishing 2B is lower than the additional cost of BA material. In Europe and North America, polishing cost are considered to be substantial. For the companies there, it is more cost effective to pay for higher surface finish quality (BA) than to pay for polishing.

Some European companies follow another idea of cost reduction: Firstly, they buy 2B in Europe and do the first manufacturing steps in Europe. Secondly, they transport the semi-finished products for polishing to China. Thirdly, the finished products are shipped back again to Europe after polishing and sold to consumers there.

Page 130 and 146 – Comparison of World Steel Prices

Deep drawing material prices are different from stainless steel prices for South Africa. It is no doubt that South Africa does not enjoy a significant advantage to other regions in terms of material prices. Both, deep drawing material price (see table on page 130) and stainless steel price for March 2003 (see table on page 146) underline this fact. However, the stainless steel price is closer to other regions' prices than the deep drawing material price.

The stainless steel price used is a theoretical and general price including some parameters which are specified here:

- quantities ordered,
- surface finish or
- dimensions selected

The deep drawing material price given is taken from a "real" order of a stainless steel deep drawer. Therefore, this price may reflect the situation for this specific product better than the stainless steel market price does.