

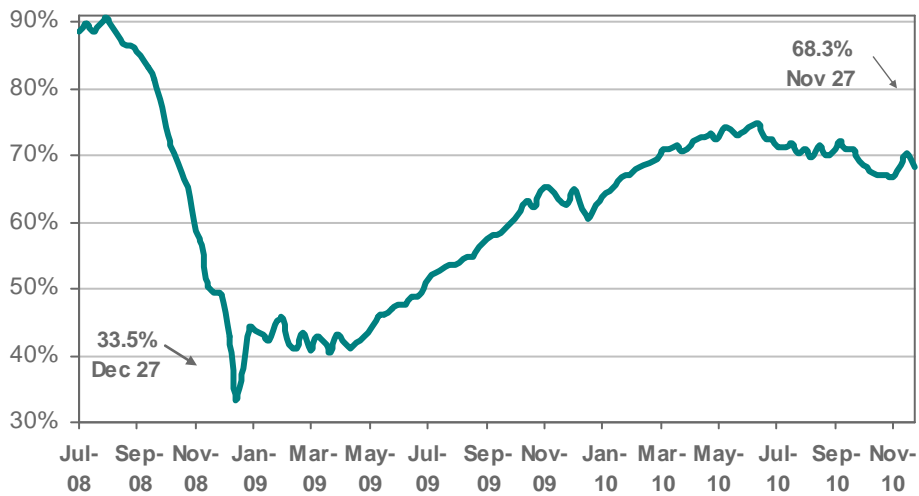


## Risks

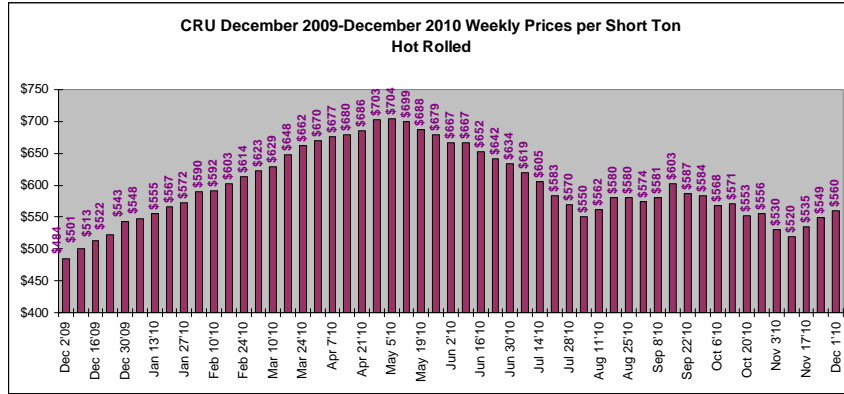
- Credit markets stall
- Unemployment higher than anticipated
- Double Dip Recession
- Quickly increasing energy prices restrain growth
- Steel imports greater than expected
- Cap and trade
- Wars

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## Weekly US Raw Steel Production Capacity Utilization (Capacity reduced as demand fell)



Source: American Iron & Steel Institute Confidential



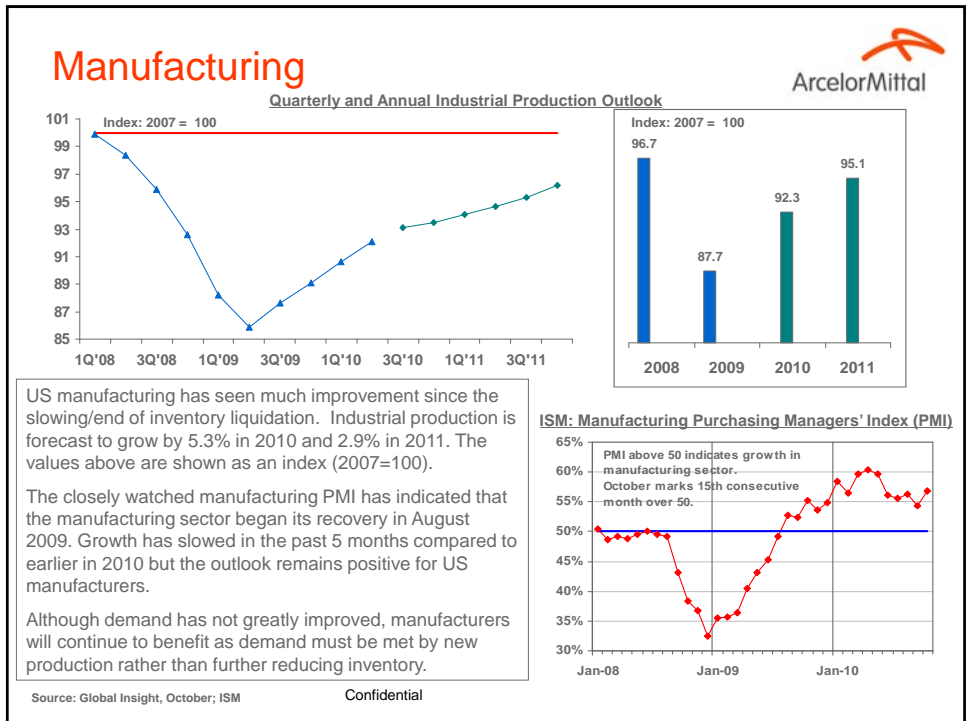
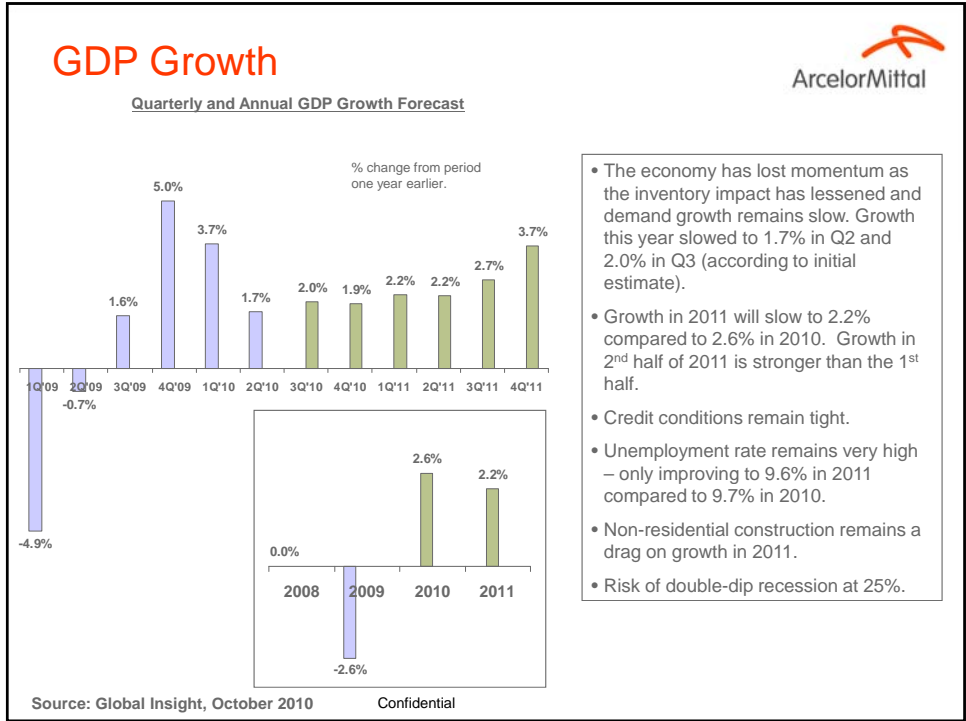
CRU: December 2010

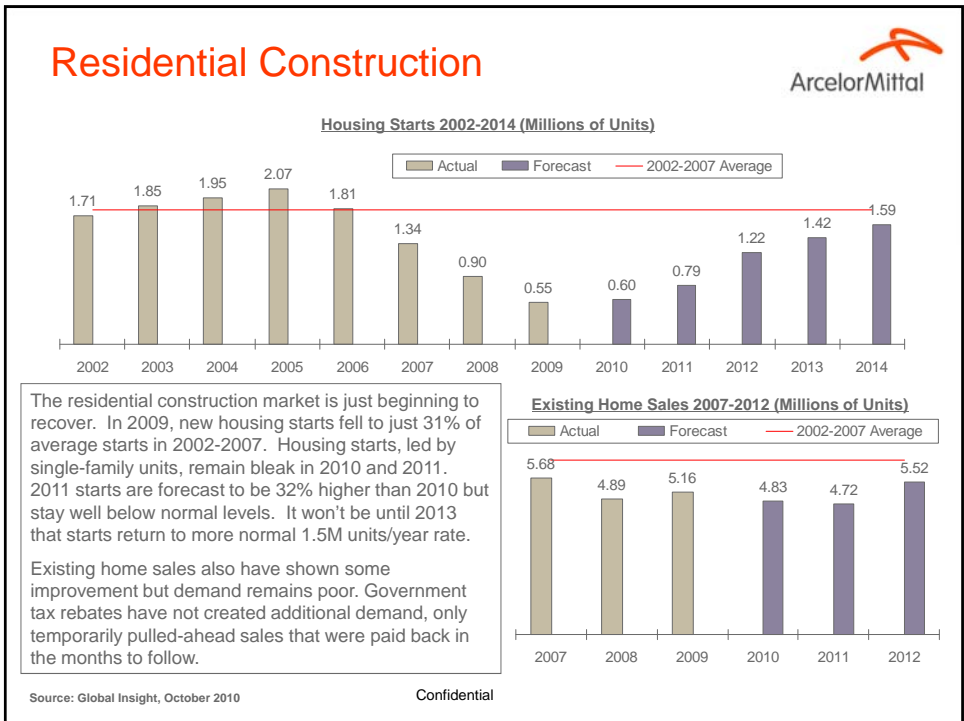
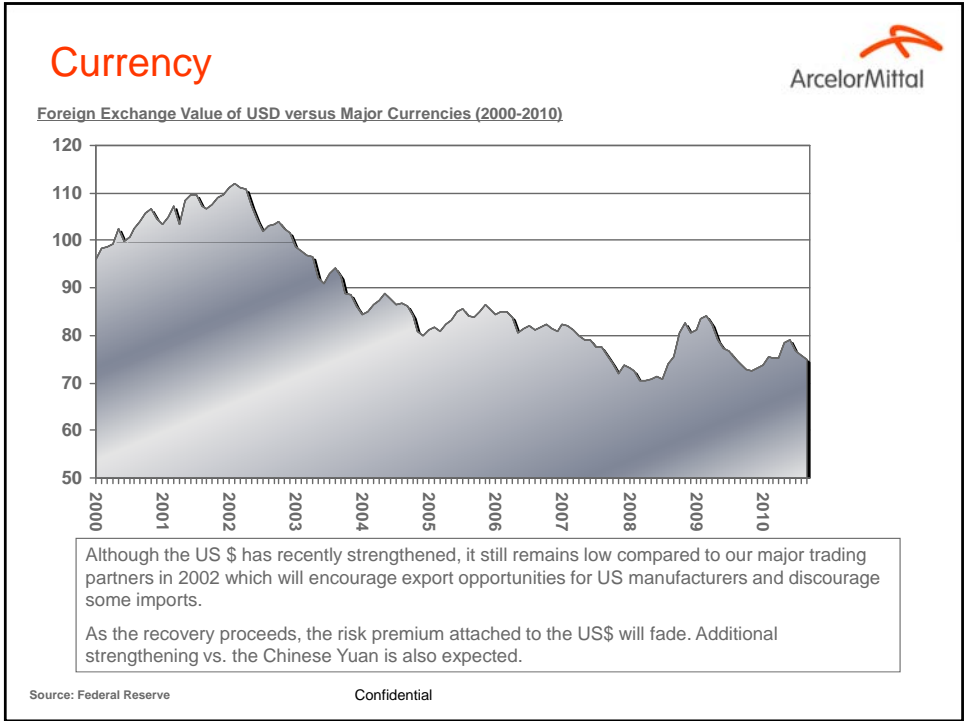
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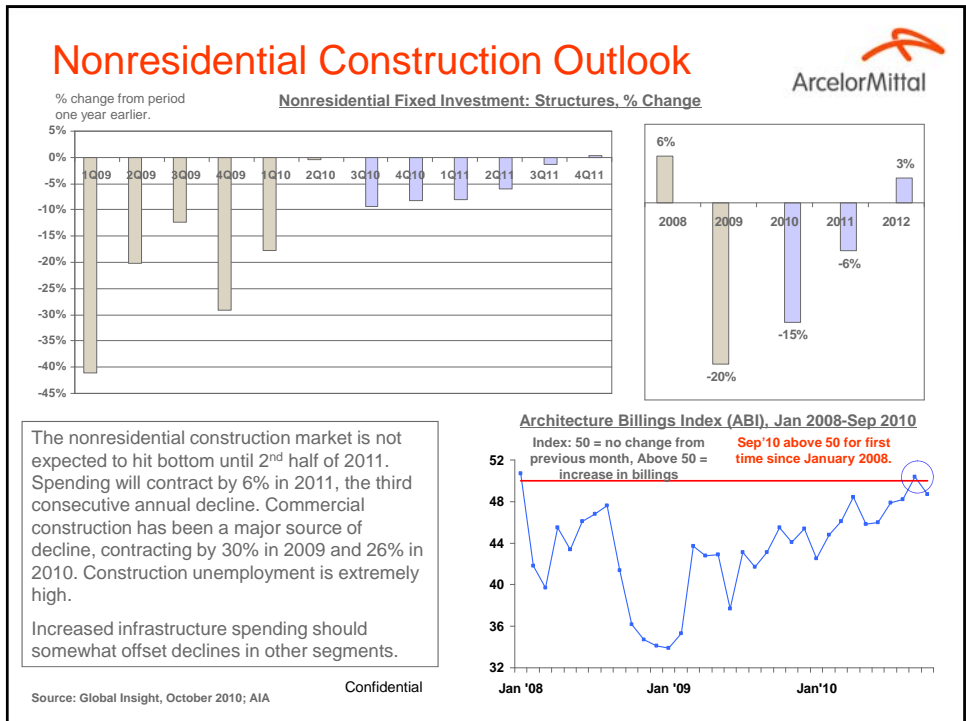
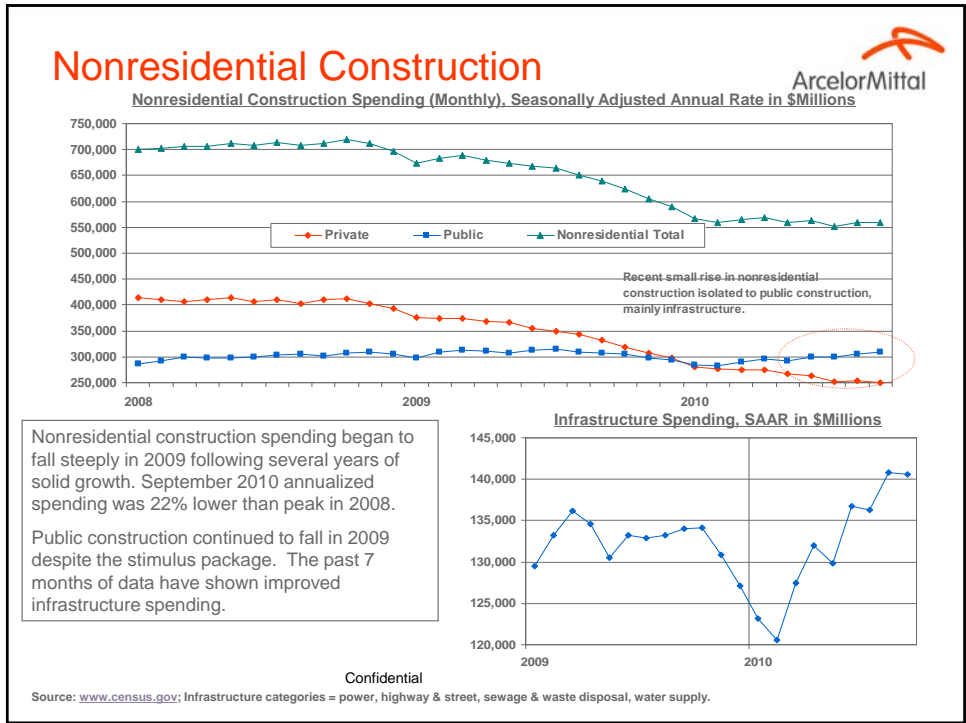


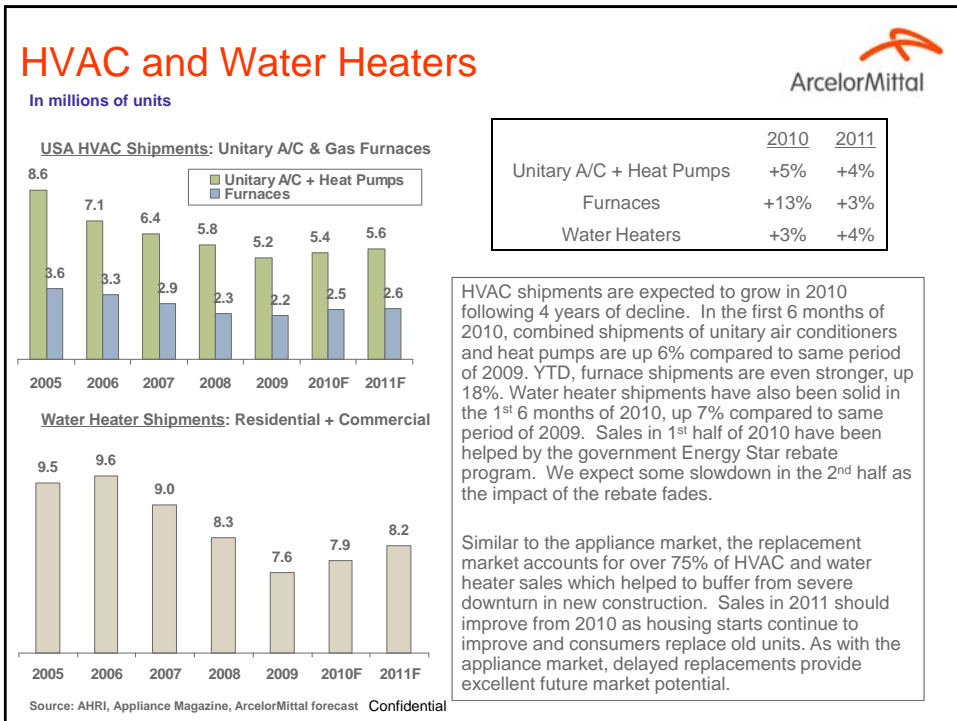
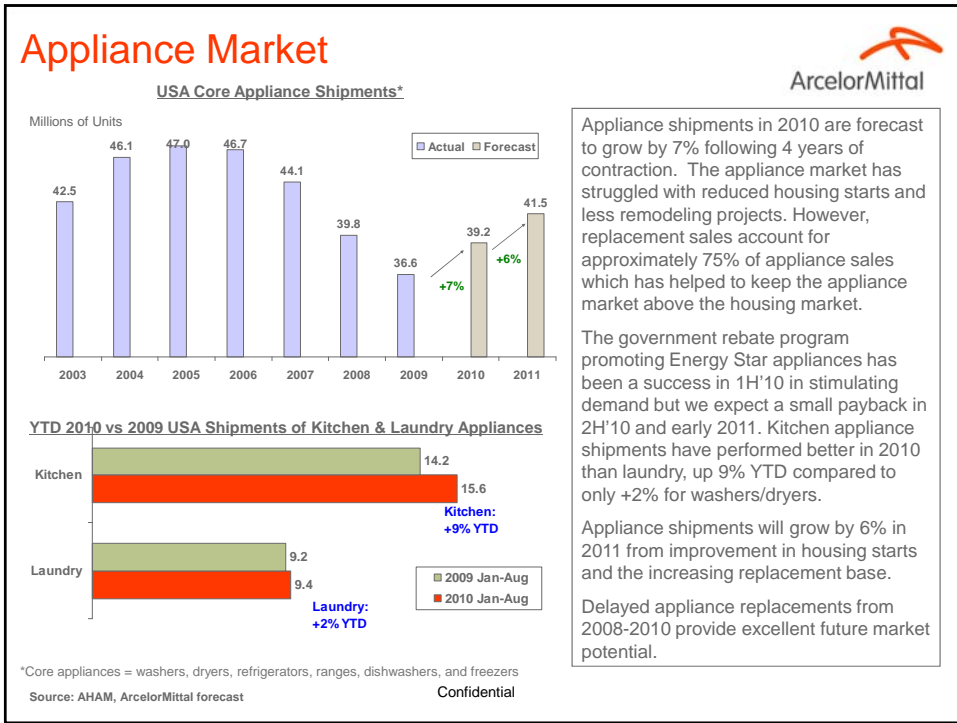
## 2011 Steel Outlook

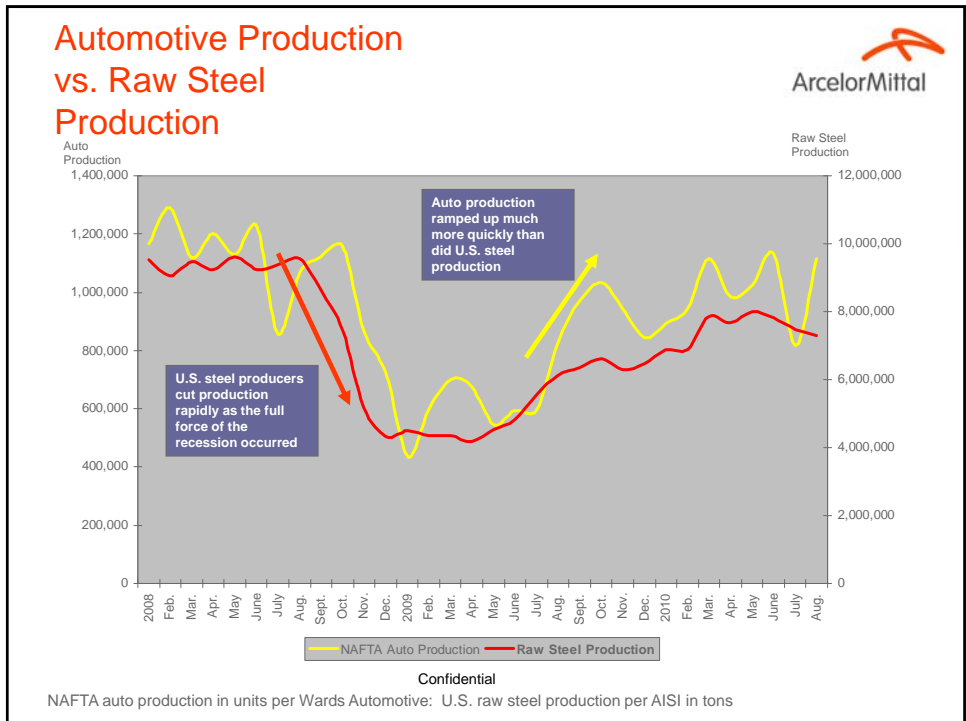
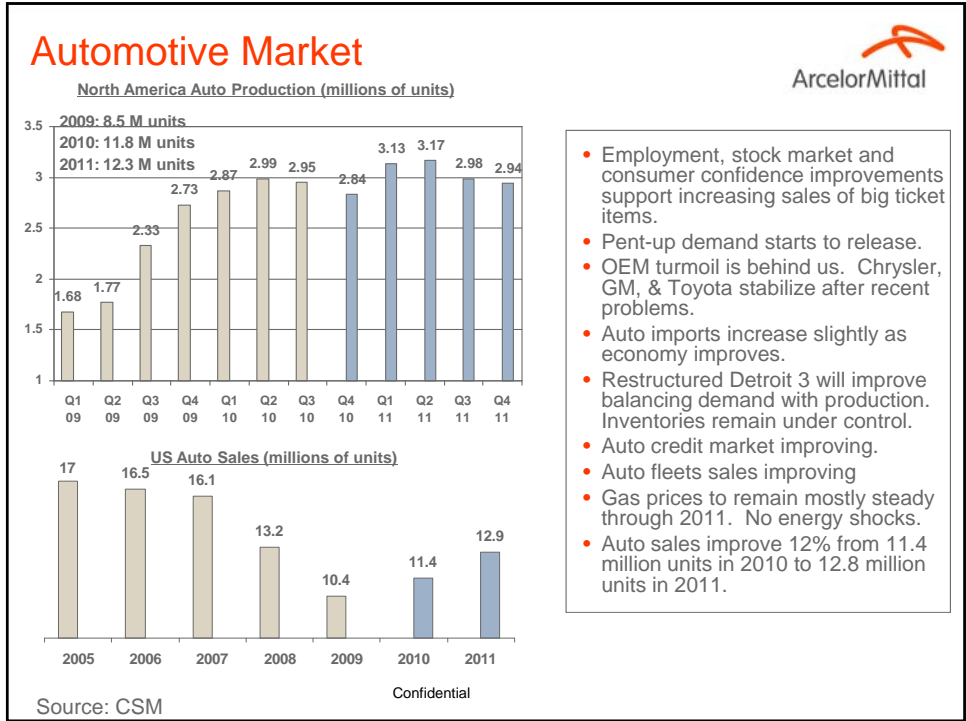










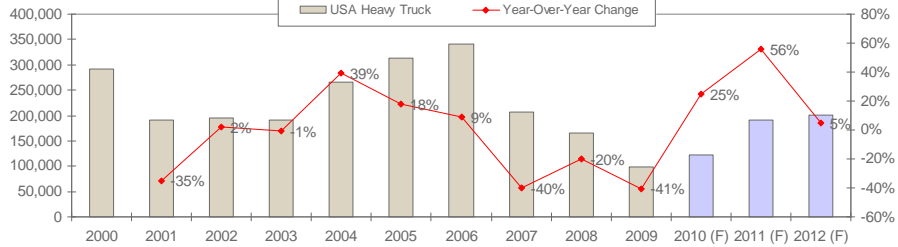




## Heavy Duty Trucks

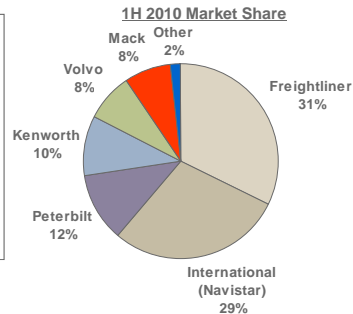


USA Heavy Truck Production



US truck sales have fallen sharply since 2007 and are not expected to return to 2004 levels until at least 2016. 2009 was the worst year for heavy duty truck sales since Ward's started tracking the data back in 1985. 2010 sales have improved but still remain weak; YTD (August) 2010 sales are 64% lower than same period of 2006's record year. 2011 is forecast to see over 50% growth in production as demand improves.

2011 flat roll steel consumption should be about 250K tons higher than 2010 based on this forecast.



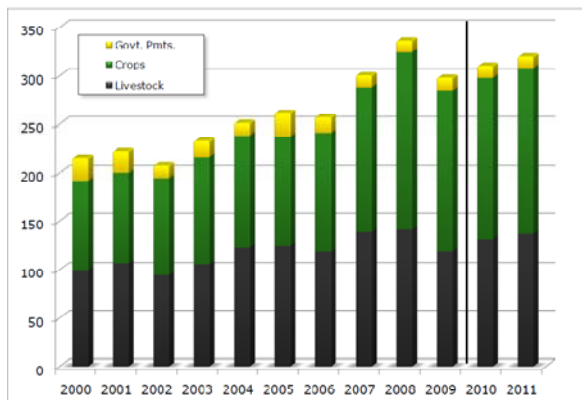
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Source: Ward's, AMUSA estimate

## Agricultural Segment



U.S Farms Cash Receipts in Billions \$



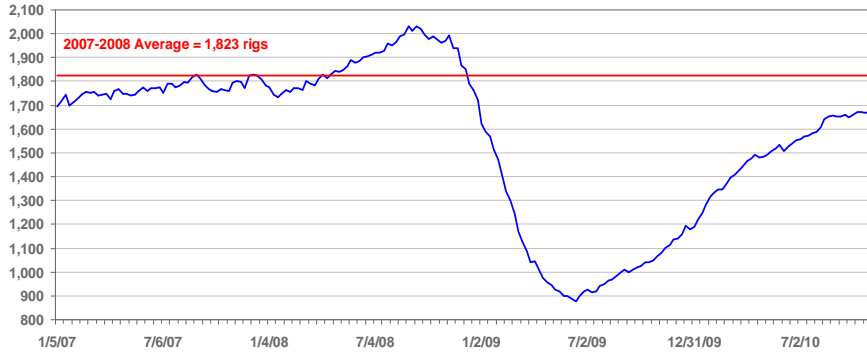
Farm implement rental rates, wheat prices and farm cash receipts are all forward indicators of farm implement sales. All are rising.

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## Energy Market



**USA Oil & Gas Rig Count**



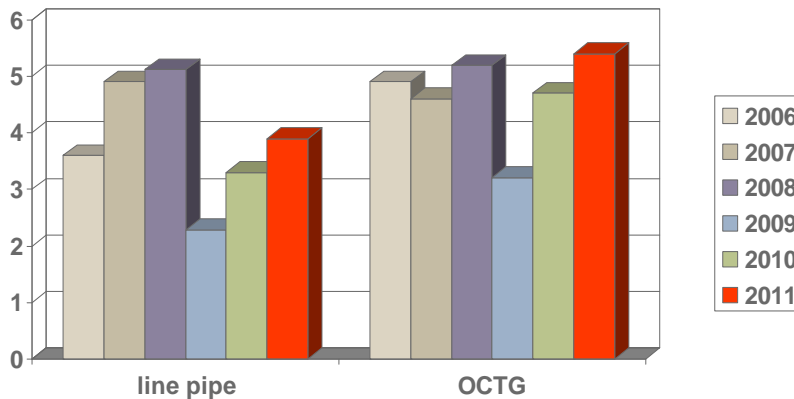
The USA oil and gas rig count has steadily improved since hitting bottom in June 2009 – nearly doubling since then. However, the current count is still 8% lower than the '07-'08 average.

Steady growth is expected in the oil and gas markets as energy demand recovers from the 2009 recession. Improving credit markets will also support renewed energy projects.

Source: Baker Hughes

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## USA Energy Market Steel Demand million of tons



Source: History and forecast, Preston Pipe & Tube Report, November 2010

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## Spiral weld line pipe



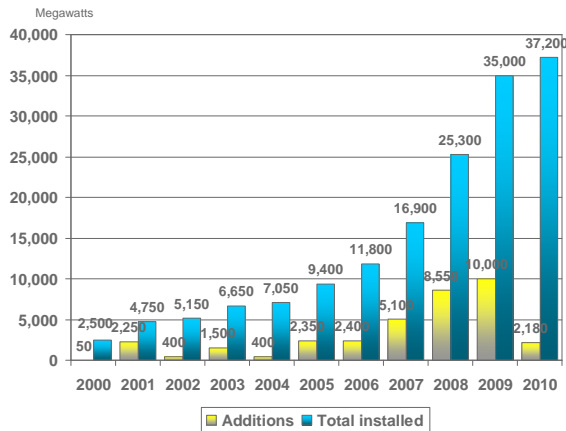
Three final welding machines used for ID and OD submerged arc welding.



Source: Stupp Corp

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## Wind Energy Growth

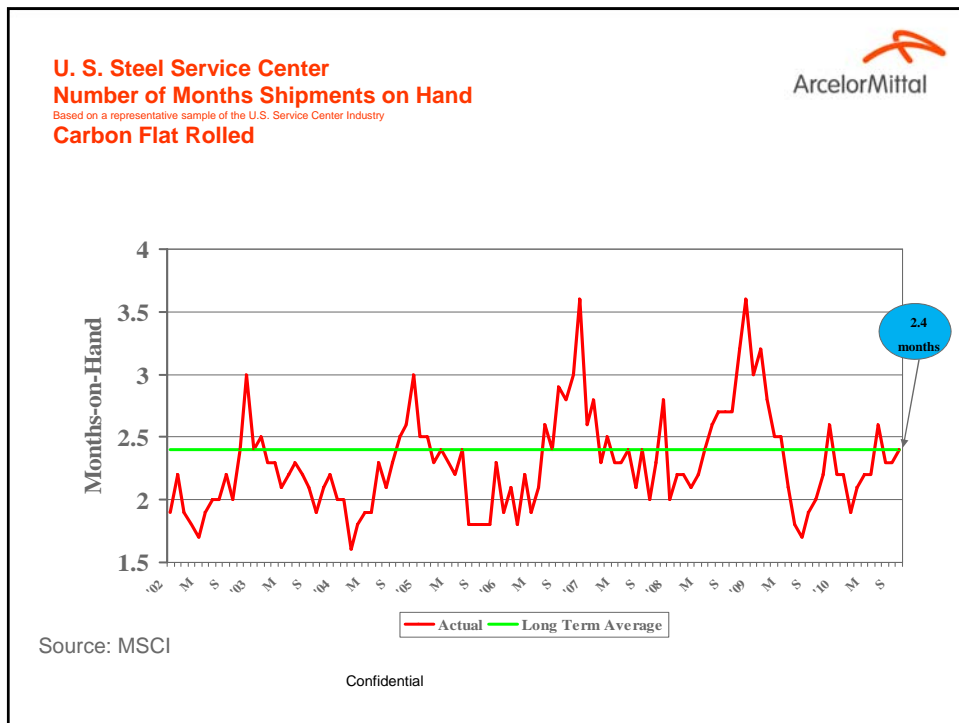
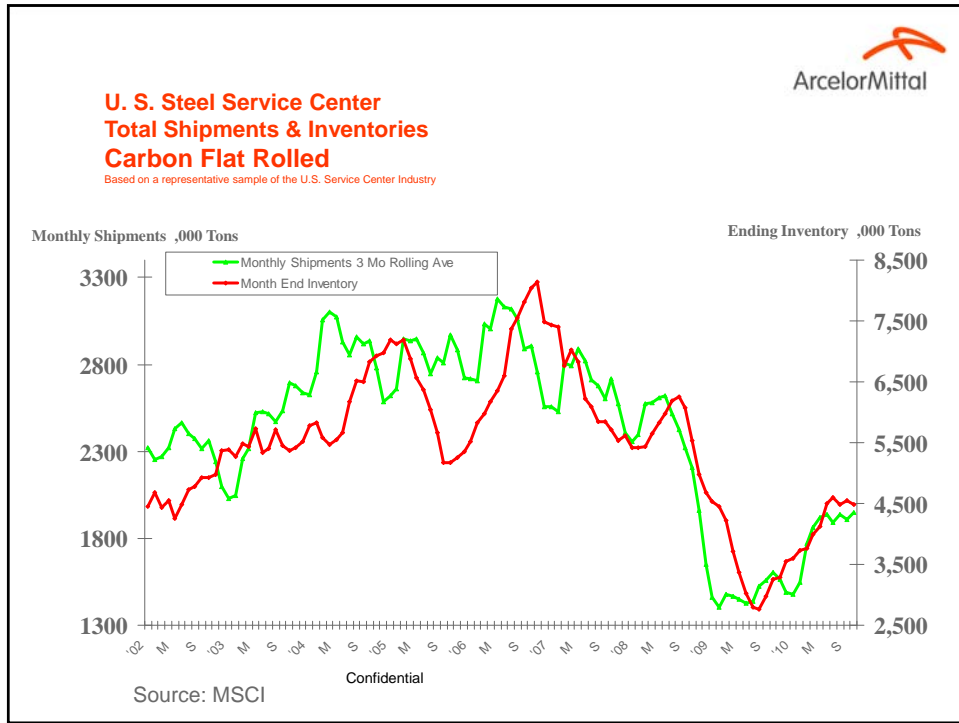


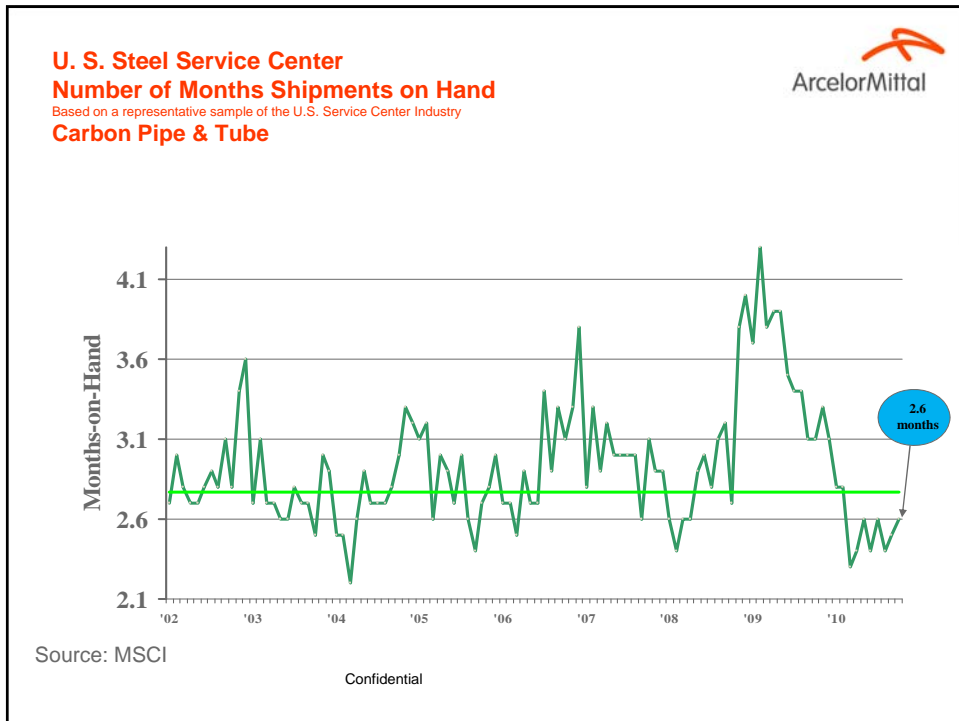
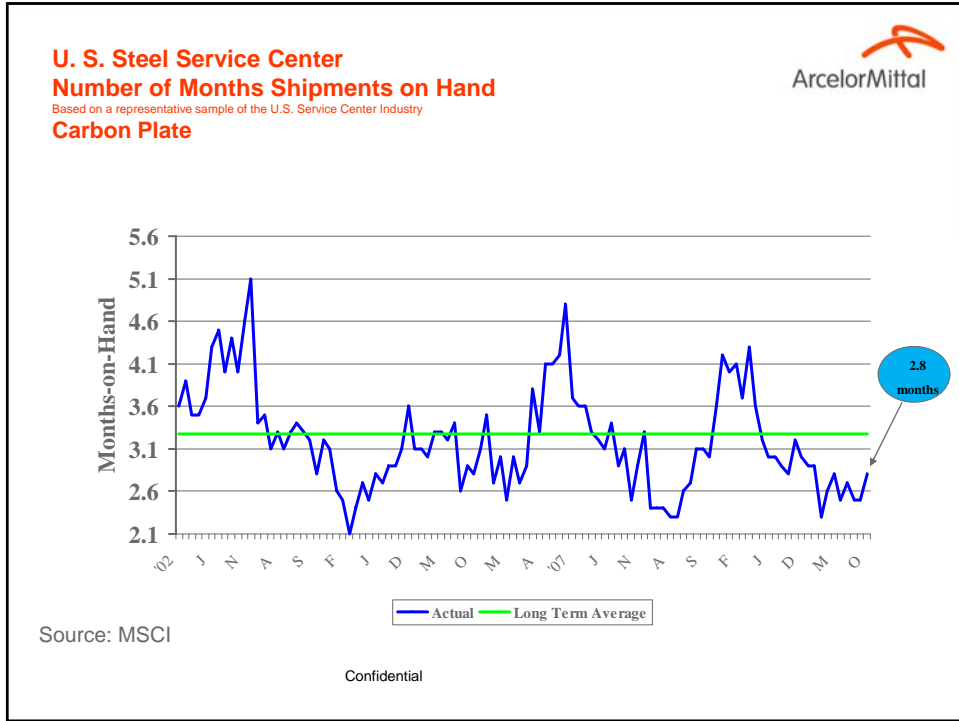
The wind industry broke records by installing 10,000 MW of capacity in 2009, but after 2 years of major capacity increases government subsidies for renewable energy have weakened. Private financing is weak and right of way disputes are also constraints on transmission increases.

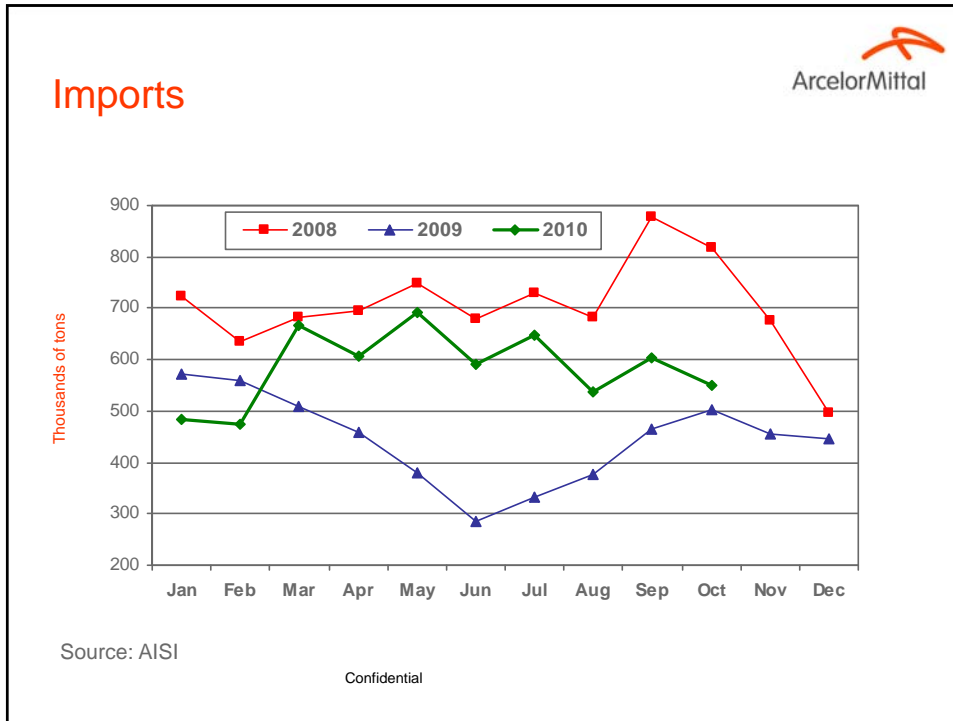
2010 based on September YTD actual installations and annualized for the full year.

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Source: American Wind Energy Association







### Steel demand change - 2011

Auto	↑
Residential Construction	↑
Non-residential Construction	↓
Machinery	↑
Agriculture	↑
Electric motors	↑
Infrastructure	→
Energy	↑
Pipe & Tube*	↑

The steel market will continue its recovery as the US economy slowly pulls out of the great recession. Most markets continue to recover, inventories remain low and a weaker dollar will help as imports will also continue to be low.

\* Pipe & tube demand will be improved by the capacity additions of a number of new spiral pipe mills in the USA as well as a drop in imported pipe.

Source: AMUSA analysis

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## Steel Consumption Forecast Summary 2010 and 2011



Finished Steel (mmt)	2009	2010	Δ YOY	2011	Δ YOY
Industry Shipments	56.4	75.2	+33%	82.1	+9%
Finished Imports	12.9	16.4	+27%	17.5	+7%
Adjustments	1.7	1.7		1.8	
Exports	8.4	11.2	+33%	11.7	+4%
Apparent Steel Consumption	59.2	78.7	+33%	86.1*	+9%
Inventory Change	-2.5	1.6		0.8	
Real Steel Consumption	61.7	77.1	+25%	85.3	+11%

Source: AISI Commercial Research Committee

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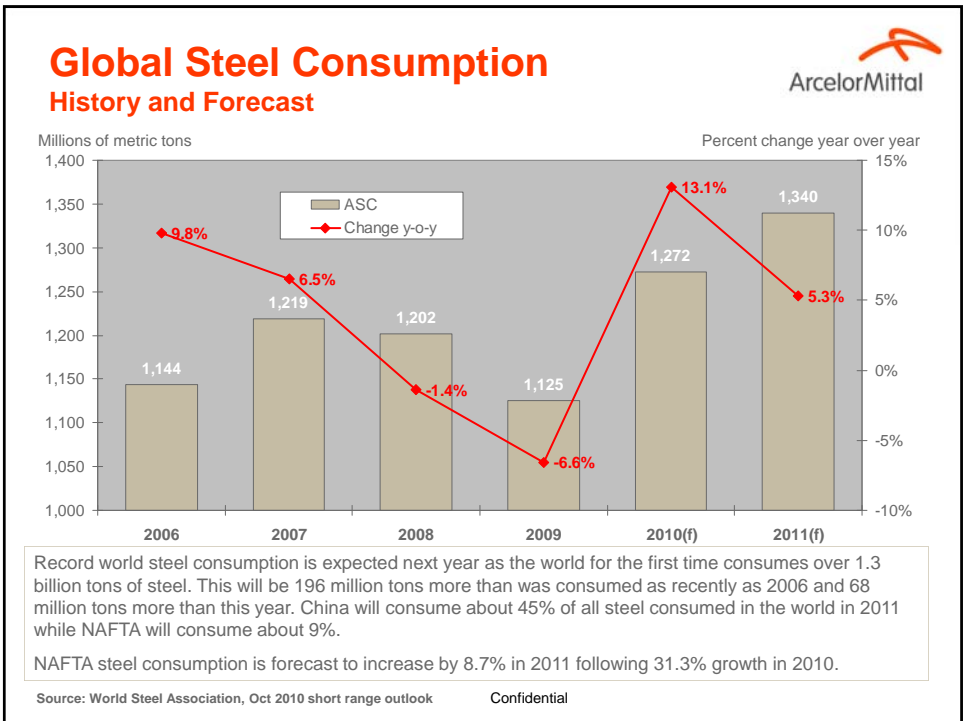
short tons  
 2009 = 65.1  
 2010 = 86.6  
 2011 = 95.7

## Risks for 2011

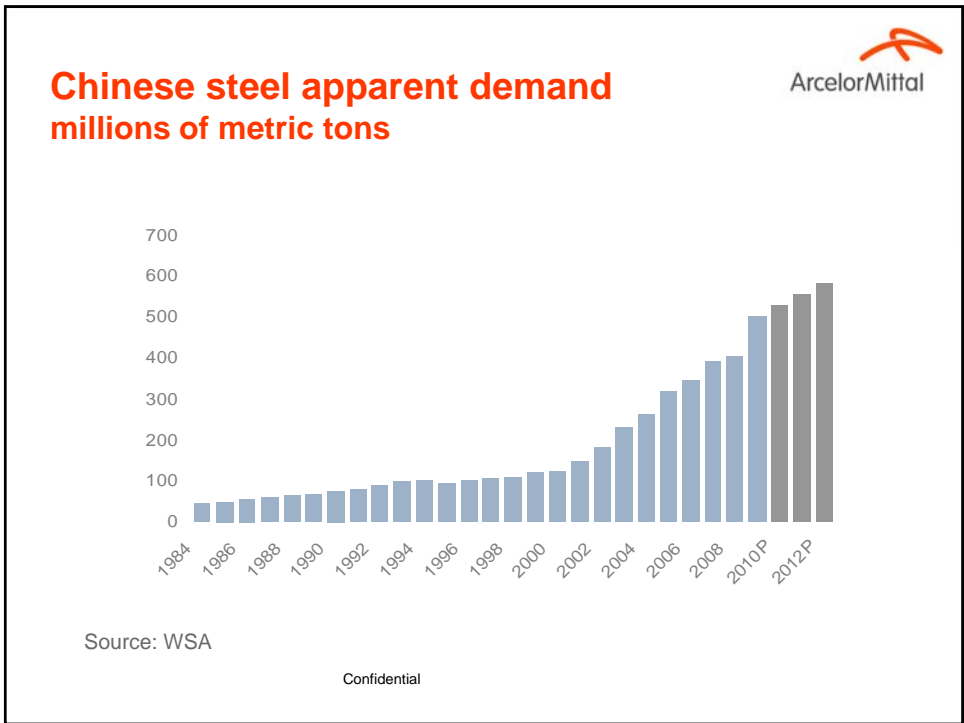
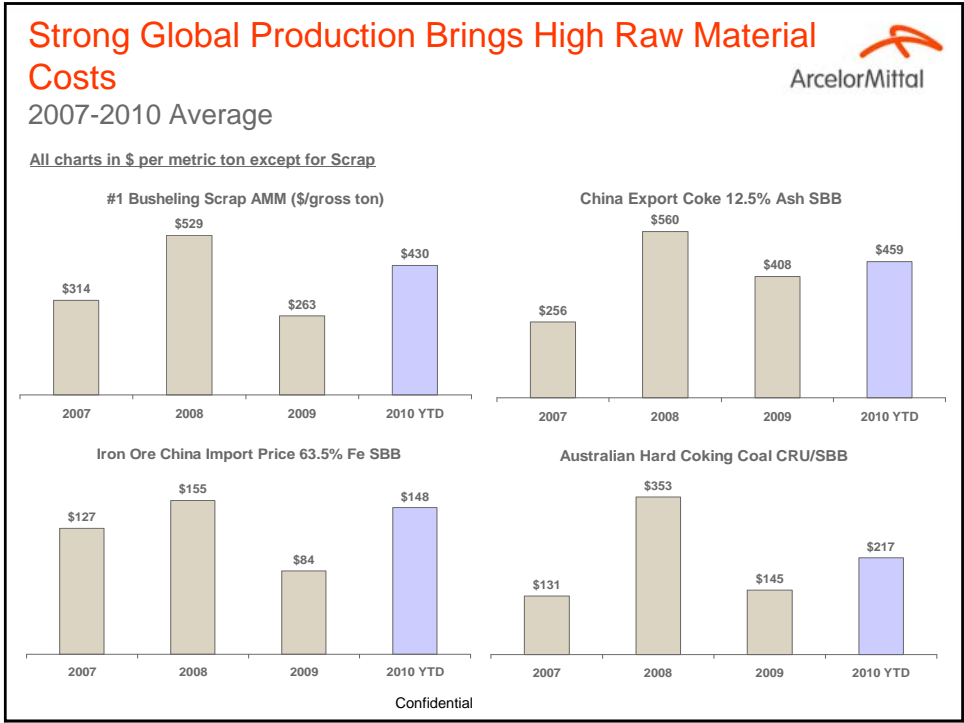


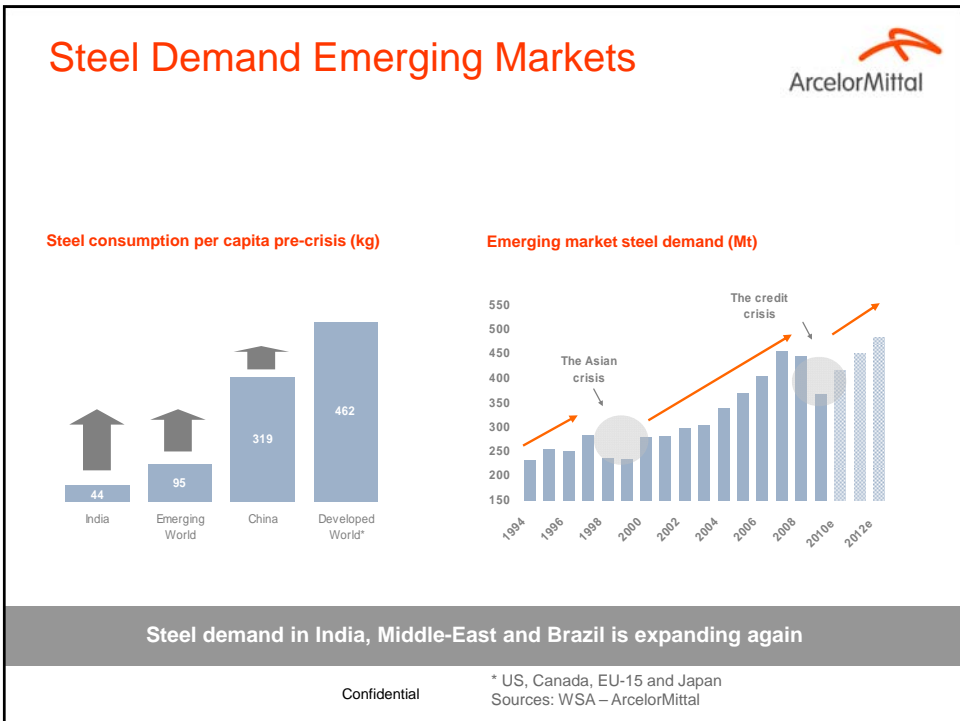
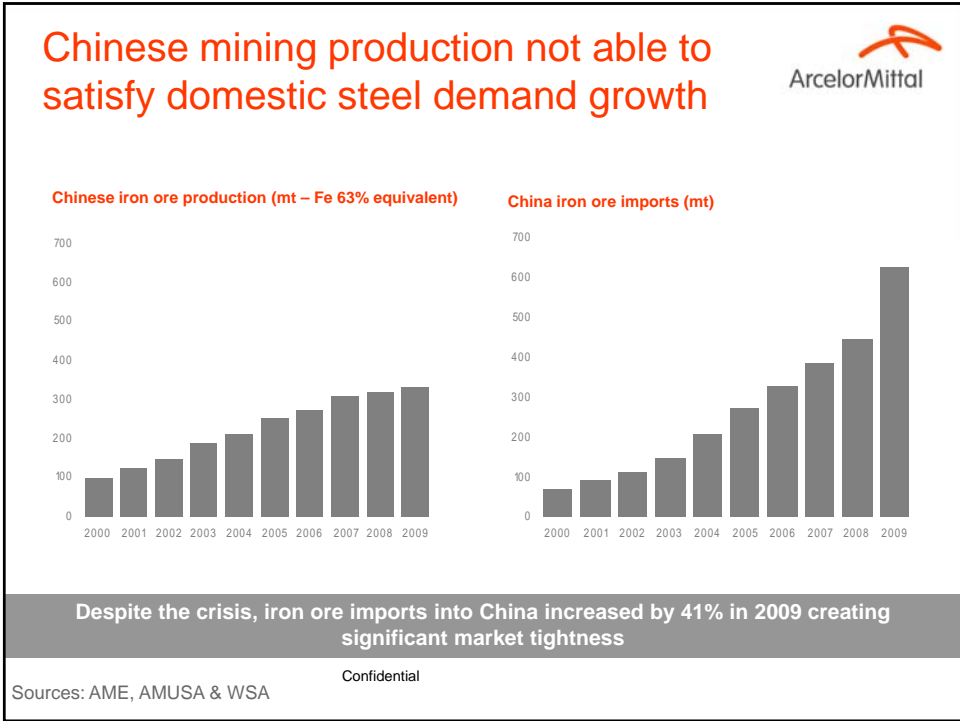
- -Non-renewal of the Bush tax cuts.
- -A currency war that leads to increasing protectionism.
- -Attempts for countries to balance budgets too soon.
- -Cap and trade

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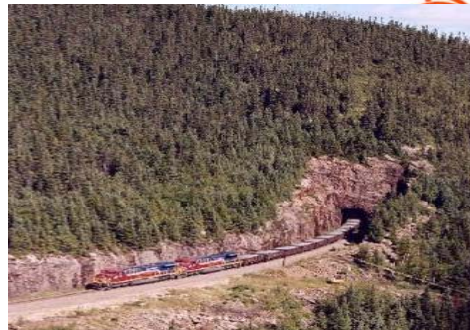


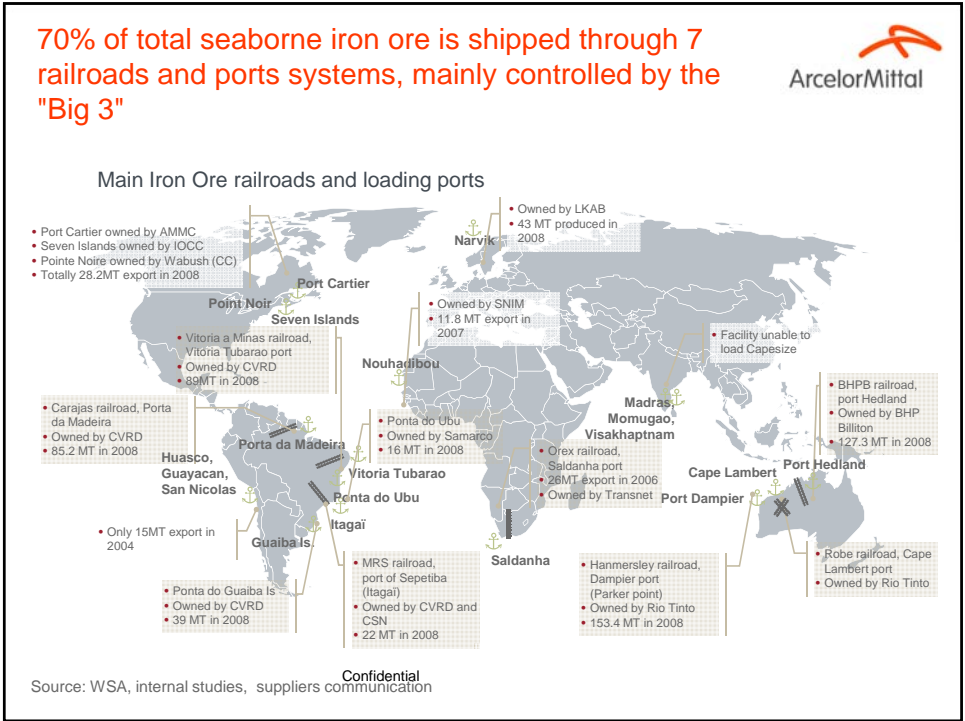


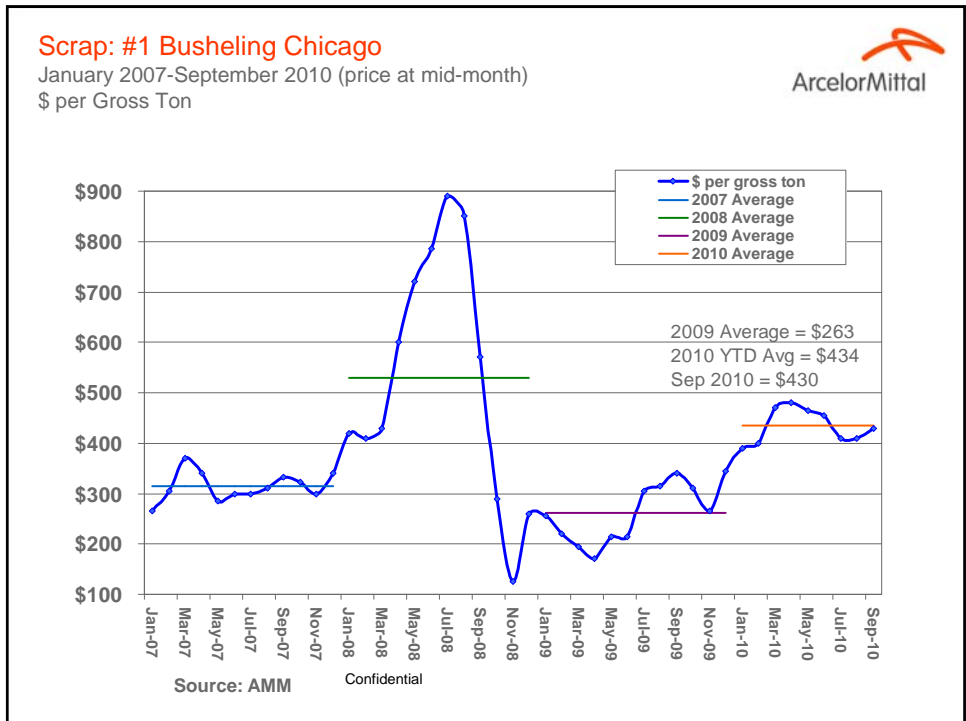
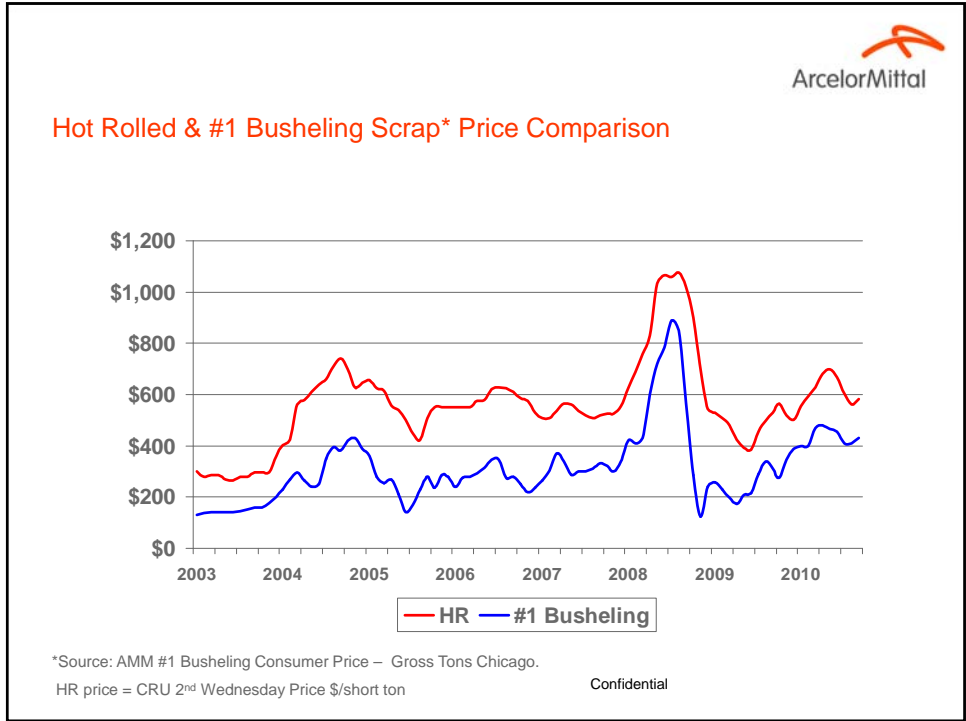


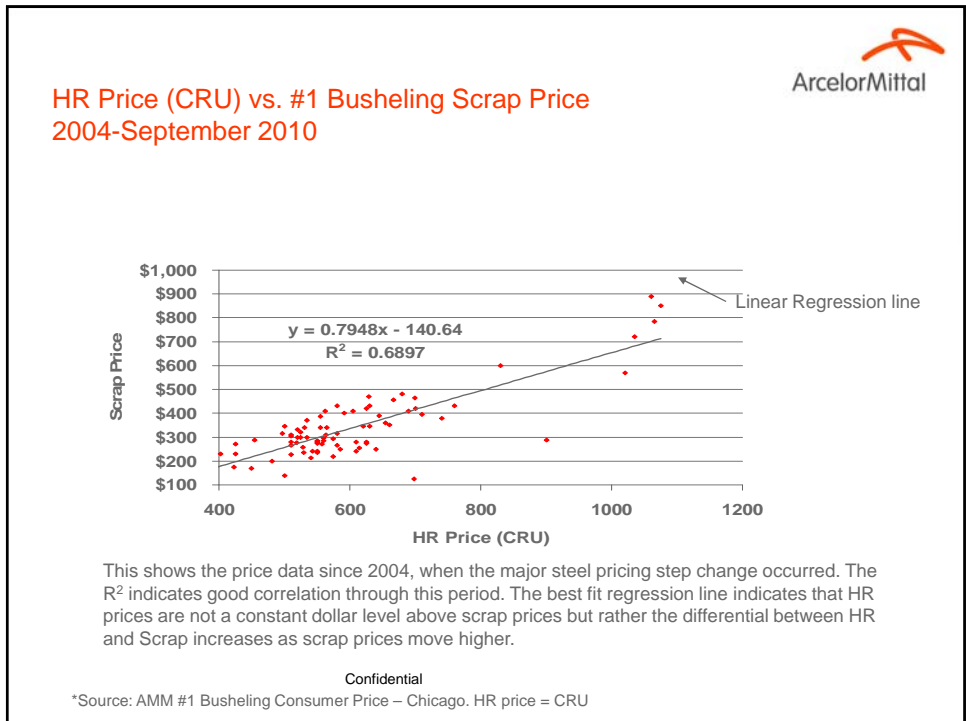
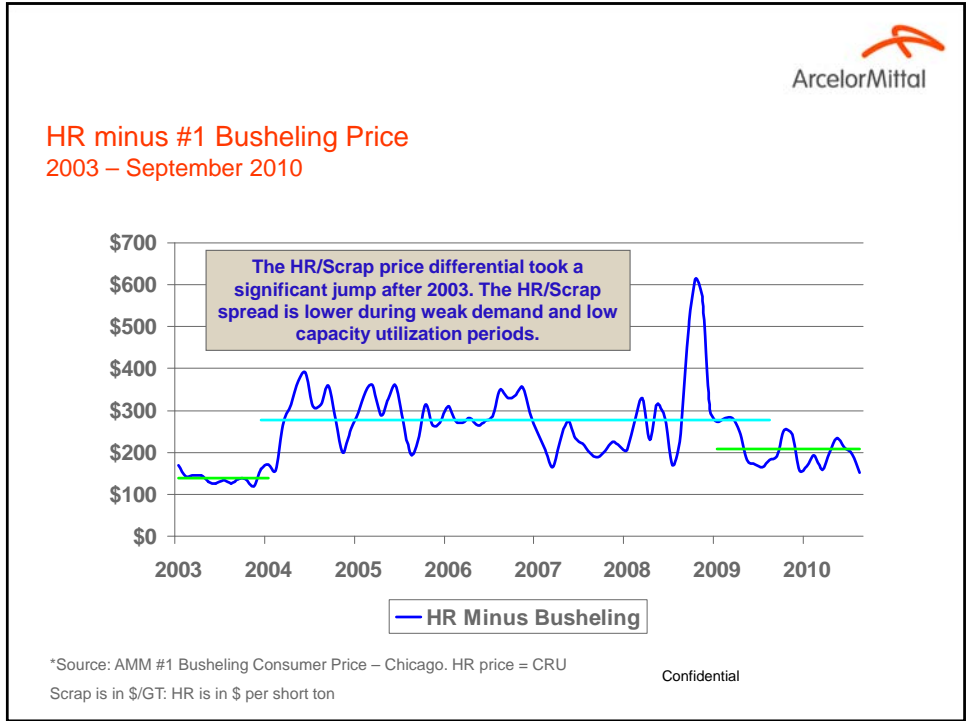


## ArcelorMittal Mines Canada











## Steel Pricing Drivers

- Global steel production will break records in 2010 and 2011.
- Record steel production has put considerable strain on steel making raw materials, such as iron ore, coking coal, and ferroalloys.
- Scrap prices continue to be at high levels. There are limited suppliers of scrap in the world. Exports of scrap from scrap producing nations continues to increase. Scrap prices are now increasing.
- Steel prices are ultimately global prices. Global prices will tend to harmonize. Current US spot prices are among the lowest in the world.
- US steel demand is improving gradually.
- Steel inventories are low.
- USA Steel imports are relatively low while exports are increasing.
- The US dollar has weakened over the past few years and is expected to weaken more over the next few years.

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## Summary

- The US economy will continue its slow gradual recovery. No explosive growth is expected.
- Steel markets will also continue to recover gradually.
- Global steel markets will grow strongly.
- Raw materials and scrap will continue to be in tight supply.
- Steel prices will increase driven by improving markets but mostly caused by increasing cost pressures.
- Risks continue especially with regard to policy mistakes.

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## Questions

