2008 Steel Industry Outlook

- General Economic Indicators
- Some Key Steel Consuming Markets
- Overall USA Steel Demand Forecast
- Global Steel Demand, Input Costs and other Steel Industry Factors
Industrial Production
Manufacturing Only

Manufacturing Production Index and Capacity Utilization

![Graph showing the Manufacturing Production Index and Capacity Utilization from 1999 to 2005.]
Industrial Production
Manufacturing Only

Note that on November 7, 2005 the Federal Reserve changed the base year to 2002
Growth will slow as housing further deteriorates in 2008 and impacts other parts of the economy. Growth projections are back loaded in 2nd Half of 2008.
Manufacturing growth slowed in 3Q and into 4Q. Value at risk of falling below 50% over the next few months.
Some Key Steel Consuming Markets
Building permits continue to slide and economists think the bottom may be about 20% below the current rate. 2008 housing start forecast has been reduced to 1.02M.
Residential investment (housing, remodeling, etc) will have another very tough year in 2008, while non-residential investment (plants, equipments, etc) will see continued growth in 2008. Non-residential growth potential has been reduced due to the impact of the residential market.
Highway and bridge construction is expected to grow partially in response to increased funding under the Federal transportation bill (SAFETEA-LU). This bill provides a 38% increase in funding over a 6 year period.

AISI Commercial Research Consensus Forecast
Office Furniture Consumption

Although slight, growth in consumption of office furniture is anticipated in 2008.

BIFMA History and Forecast
Rail freight car demand has softened since late last year with reduced carload volumes being recorded in 2007. The forecast calls for the building of new rail cars to stabilize during the next 4-5 years unlike the wide swings experienced recently.

The current backlog is 72K units with ethanol tank cars leading in backlog. The forecast is constrained by facility capabilities (type of car produced).
Energy: Pipeline Demand

- 72% of global pipeline projects are related to natural gas.
- U.S. is 2nd largest builder of pipelines in the world; #1 is the Far East.
- 16,750 miles of pipeline projects are planned or under construction in the U.S. (18.4% of global total).
- Soaring energy prices have made more projects feasible due to high costs, i.e. Canada’s oil sands

### Global Pipeline Projects

<table>
<thead>
<tr>
<th>Miles of pipeline projects planned or under construction</th>
<th>2006</th>
<th>2007</th>
<th>Δ</th>
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<tr>
<td></td>
<td>69,850</td>
<td>91,100</td>
<td>+30%</td>
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Source: Bruce Beaubouef, *Pipeline and Gas Technology*; AMM 9/12/07
Increased demand and new sources of natural gas supply are driving NG pipeline growth.
USA Energy Market Steel Demand
million of tons

OCTG forecast assumes $70/barrel oil for 2008

Source: Preston Pipe & Tube Report; Oct 2007
Wind Power
U.S. Installed Capacity

Source: AWEA

Plate consumption of 125 tons per wind turbine or over 375,000T in 2007
Major* Appliance Annual Shipments
History and Forecast

2007 YTD appliance shipments are down 7% vs 2006. Recovery expected in 08

* Washers, Dryers, Dish Washers, Refrigerators, Freezers, Free-Standing Ranges, Built-in Ranges
Automotive Production

- Market has underperformed for seven straight years.
- Imports continued to rise; from 3.2 million in 2002 to 4.2 million in 2005, 4.5 million in 2006, and 4.6 million in 2007.
- NAFTA Production recovery starts after 2008.
- Big 3 become more competitive
- Economy recovers from housing slump. Gas prices stabilize.
- No major shock from CAFÉ
- New capacity; Toyota –Indiana, Woodstock, San Antonio, & Midwest; Honda -Greensburg

Source: JDPower & Associates
Service Center Inventory
Months on Hand

Source: MSCI
Service Center Inventory

Monthly shipments, 000 tons

Ending inventory, 000 tons

Monthly Shipments
Month End Inventory

05  05  05  05  05  05  06  06  06  06  06  07  07  07  07  07

Service Center Inventory

Monthly shipments, 000 tons

Ending inventory, 000 tons

Monthly Shipments
Month End Inventory

05  05  05  05  05  05  06  06  06  06  06  07  07  07  07  07

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Monthly Shipments
Month End Inventory

05  05  05  05  05  05  06  06  06  06  06  07  07  07  07  07
Apparent Steel Consumption: USA & NAFTA

Apparent consumption = AISI shipments + finished imports – exports – non raw steel producers

U.S. inventories were drawn down in 2005 and then replenished during 2006. After inventories peaked in October 2006, stock levels continue to be reduced in 2007. 2007 apparent steel consumption in the USA is 6% less than 2006 due to the inventory correction and weaker demand. 2008 is expected to bring a small increase to steel demand and inventories at stable levels.

Source: AISI, IISI, with ArcelorMittal forecast

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<table>
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<tr>
<th>Million Tons Finished Steel</th>
<th>Change % per Year</th>
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<tbody>
<tr>
<td>USA</td>
<td>132.8</td>
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<tr>
<td>Canada</td>
<td>19.1</td>
</tr>
<tr>
<td>Mexico</td>
<td>19.8</td>
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<tr>
<td>NAFTA</td>
<td>171.6</td>
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Weekly US Raw Steel Production Capacity Utilization

Source: AISI
Monthly Imports: flat rolled steel

2005 vs. 2006 vs. 2007

000s/MT

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Higher steel prices in other markets will depress USA imports for the rest of this year.

Source: CRU November Steel Monitor
The Baltic Dry Index represents a daily index of the price of ocean shipment of bulk raw materials. The cost of shipping iron ore has risen by 300% since 2003.
The weakening of the U.S. dollar has increased the cost of imports into the USA from most countries. This includes automobiles & steel. The dollar is expected to weaken an additional 5% vs. the USA’s major trading partners in 2008. Due to political pressure, the Chinese Yuan is also expected to finally strengthen.
Global Demand, Input Costs and other Steel Industry Factors
WORLD ECONOMIC PROSPECTS

Real GDP Growth %: 2007-2008

- Strong growth across all regions in 2008.
- Persistent high growth in Asia as China & India continue to grow rapidly.
- Middle East growth in 2008.
- Robust growth in Europe, particularly eastern Europe.

Source: ArcelorMittal Commercial Coordination
## Global Apparent Steel Consumption

<table>
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<tr>
<th>Region</th>
<th>Million Tons Finished Steel</th>
<th>Change % per Year</th>
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<tbody>
<tr>
<td>NAFTA</td>
<td>171.6</td>
<td>163.3</td>
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<td>EU 27</td>
<td>203.6</td>
<td>214.7</td>
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<tr>
<td>Turkey</td>
<td>24.1</td>
<td>25.8</td>
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<tr>
<td>CIS</td>
<td>53.4</td>
<td>66.1</td>
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<tr>
<td>Central &amp; South America</td>
<td>39.7</td>
<td>43.8</td>
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<tr>
<td>Africa</td>
<td>23.8</td>
<td>25.7</td>
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<tr>
<td>Middle East</td>
<td>40.6</td>
<td>44.3</td>
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<tr>
<td>Asia</td>
<td>655.9</td>
<td>719.8</td>
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<tr>
<td>Rest of World</td>
<td>14.4</td>
<td>15.9</td>
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<tr>
<td>World</td>
<td>1,227.1</td>
<td>1,319.3</td>
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<tr>
<td>China</td>
<td>392.6</td>
<td>439.3</td>
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<tr>
<td>W/O China</td>
<td>834.4</td>
<td>880.1</td>
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Global iron ore prices have doubled since early 2006. Iron ore spot prices are currently 40% above contract prices.

Strong global demand for steel has pushed up spot prices. Negotiations for 2008 fiscal contracts will begin soon.

Source: CRU
China is the largest exporter of coke. China is considering imposing an export tax on coke in order to keep more supply inside the country. If this tax is imposed, coke prices would rise worldwide.
Silico-manganese US Free Market
Pittsburgh $/lb
(Copyright Metal Bulletin Pricing, 1993-2007)

271% increase
Zinc prices have been extremely volatile for the last two years. For many years it had traded in a relatively tight range of $900-$1000 per mt. It is now about 4x that level as global demand outgrew supply. Supply is slowly increasing, but stocks remain very low. We expect continued significant volatility for zinc prices through 2008.
Ferro-molybdenum 65/70% Pittsburgh $/lb
(Copyright Metal Bulletin Pricing, 1992-2007)

![Graph showing the price of molybdenum canned molybdenum oxide in the United States free market from 1999 to 2008. The graph illustrates a significant increase in price, noted as a 1,145% increase.]
Nickel: LME spot ask price
US$/metric ton

- 2005
- 2006
- 2007

Graph showing the nickel price trend from January 2005 to May 2007.
Scrap: #1 Busheling – Chicago
US$ per ton

Scrap are down $22 in Nov
Brazil Export, CVRD blast furnace pellet – Europe $ cent/t FOB Tubarao
(SBB Steel Prices, 2007)

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<td>47.36</td>
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<td>52</td>
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<tr>
<td>2004 Q3</td>
<td>61.88</td>
<td>115.51</td>
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<td>2004 Q4</td>
<td>112.05</td>
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<td>117.96</td>
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SBB Steel Prices
CVRD blast furnace pellet – Europe $ cent/t FOB Tubarao

+145%
Summary

- Slower than expected GDP growth throughout 2007.
- Significantly high inventories at the start of the year.
- Low imports through 2007
- 2008 will start with low inventory levels
- 2008 imports expected to be low
- Economic growth expected to improve in the second half of 2008 but overall yearly growth will be below trend.
- Industrial markets and export markets will remain strong
- Steel manufacturing cost inputs remain higher than historic levels.