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Federal Reserve Bank of Chicago Economic Outlook Symposium Steel Market Outlook

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ArcelorMittal USA Marketing

December 6, 2013



Agenda

- ArcelorMittal Overview
- Key Economic Indicators
- USA Steel Market Outlook and Consumption Trends
- Global Market Overview
- Risks and Summary
- Questions

ArcelorMittal at a glance



ArcelorMittal





The world's leading steel and mining company

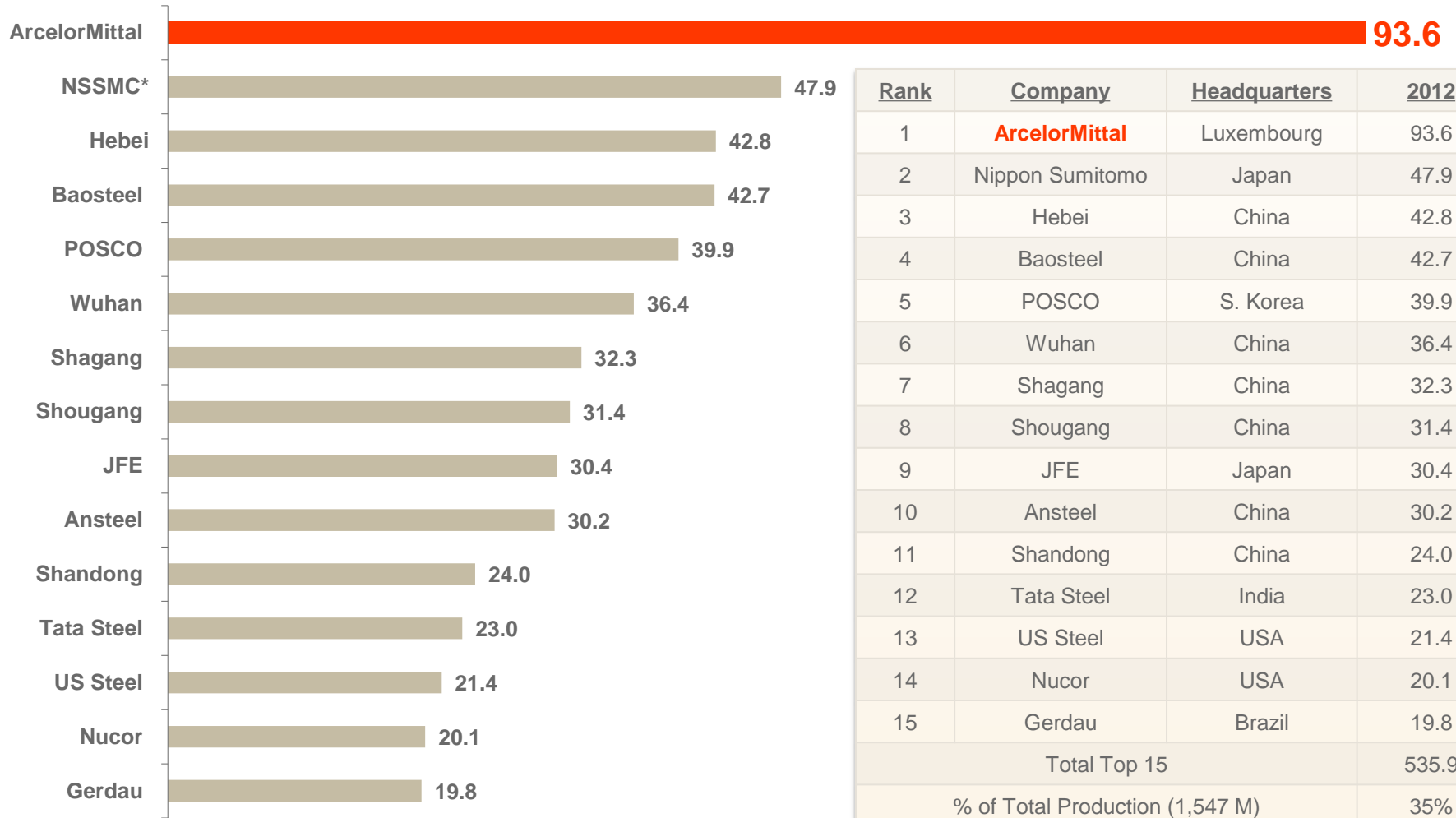
- ArcelorMittal is the world's number one steel and mining company, with around **246,000** employees in more than **60** countries. ArcelorMittal is the leader in all major global steel markets, including automotive, construction, household appliances and packaging, with leading R&D and technology, as well as sizeable captive supplies of raw materials and outstanding distribution networks.
- An industrial presence in **20** countries exposes the company to all major markets, from emerging to mature.
- ArcelorMittal values geographical breadth, product diversity and raw materials security. Approximately **39%** of our steel is produced in the Americas, **44%** in Europe and **17%** in other countries such as Kazakhstan, South Africa and Ukraine.

Underpinning all our operations is a philosophy to produce safe, sustainable steel



Top Steel-Producing Companies (2012)

(In Millions of Metric Tons Crude Steel Output)



Rank	Company	Headquarters	2012
1	ArcelorMittal	Luxembourg	93.6
2	Nippon Sumitomo	Japan	47.9
3	Hebei	China	42.8
4	Baosteel	China	42.7
5	POSCO	S. Korea	39.9
6	Wuhan	China	36.4
7	Shagang	China	32.3
8	Shougang	China	31.4
9	JFE	Japan	30.4
10	Ansteel	China	30.2
11	Shandong	China	24.0
12	Tata Steel	India	23.0
13	US Steel	USA	21.4
14	Nucor	USA	20.1
15	Gerdau	Brazil	19.8
Total Top 15			535.9
% of Total Production (1,547 M)			35%

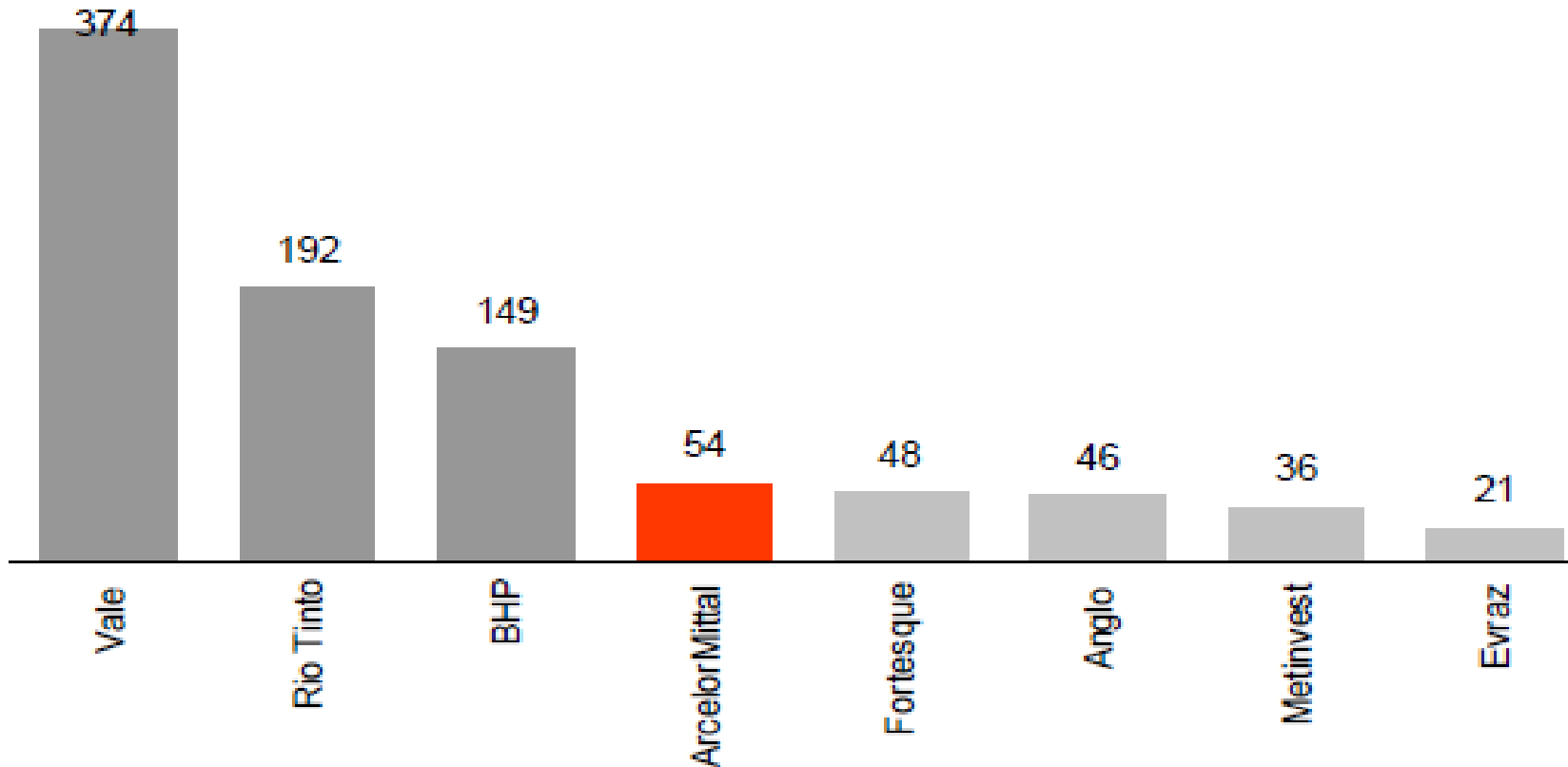
* Nippon Steel and Sumitomo Metals Industries (NSSMC) merged in October 2012

ArcelorMittal is the World's Leading Steel and Mining Company



Largest iron ore producers

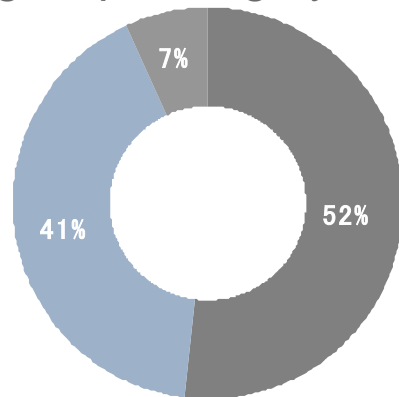
millions metric tons



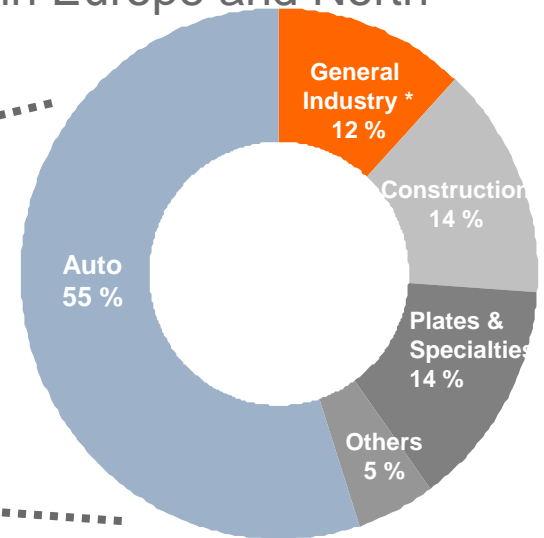
- 4th largest iron ore producer; iron ore reserves of 4.3 billion metric tons
- 8.2 million tons of metallurgical coal produced in 2012; reserves of 323 million metric tons

ArcelorMittal global R&D expertise

- 1,300 full time researchers
- 2012 spending of \$285 million
- Broad, comprehensive portfolio and programmes addressing business needs
- Worldwide network of laboratories (currently 11 labs in Europe and North America)
- Budget spending by focus area:



■ Product ■ Process ■ Exploratory



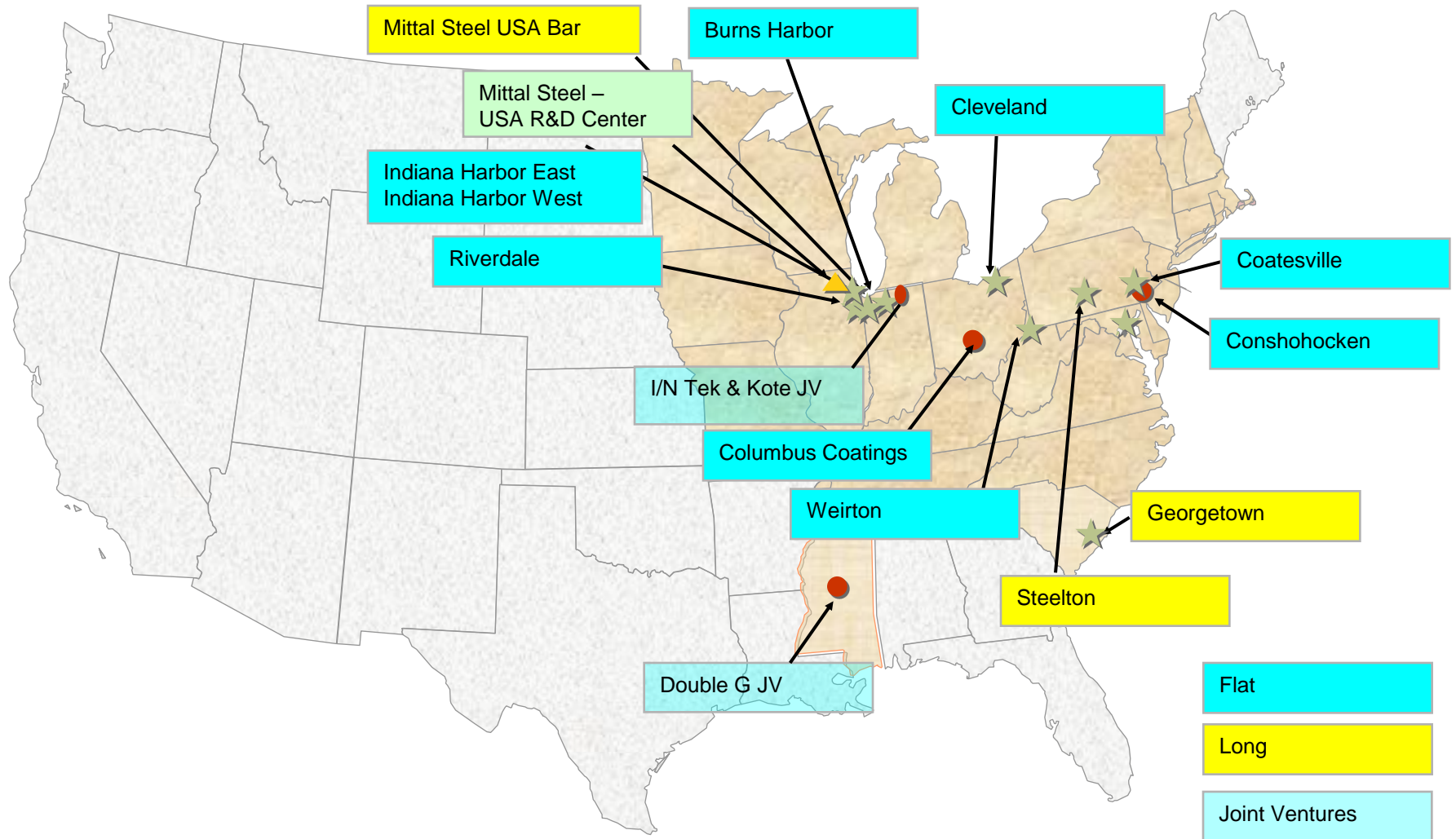
* Packaging, appliance, metal processing, electrical steels

R&D effort fully aligned with group strategy

ArcelorMittal USA Locations



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ArcelorMittal 2010 - 2012 key figures

Q4 and full year 2012 results

	2010 *	2011	2012
Sales (US\$ billion)	78.0	94.0	84.2
Ebitda (US\$ billion)	8.5	10.1	7.1
Operating income (US\$ billion)	3.6	4.9	(3.2)
Net income (US\$ billion)	2.9	2.3	(3.7)
Shipments (million tonnes)	85.0	85.8	83.8
Steel production (million tonnes)	90.6	91.9	88.2
Own iron ore production (million tonnes)**	48.9	54.1	55.9
Own coal production (million tonnes)**	7.0	8.3	8.9

2013 Q3 Results

Steel shipments = 21.1mt

EBITA = \$1.7b

Earnings = (\$193m)

Outlook and guidance:

>The Company expects 2013 EBITDA to be higher than \$6.5b

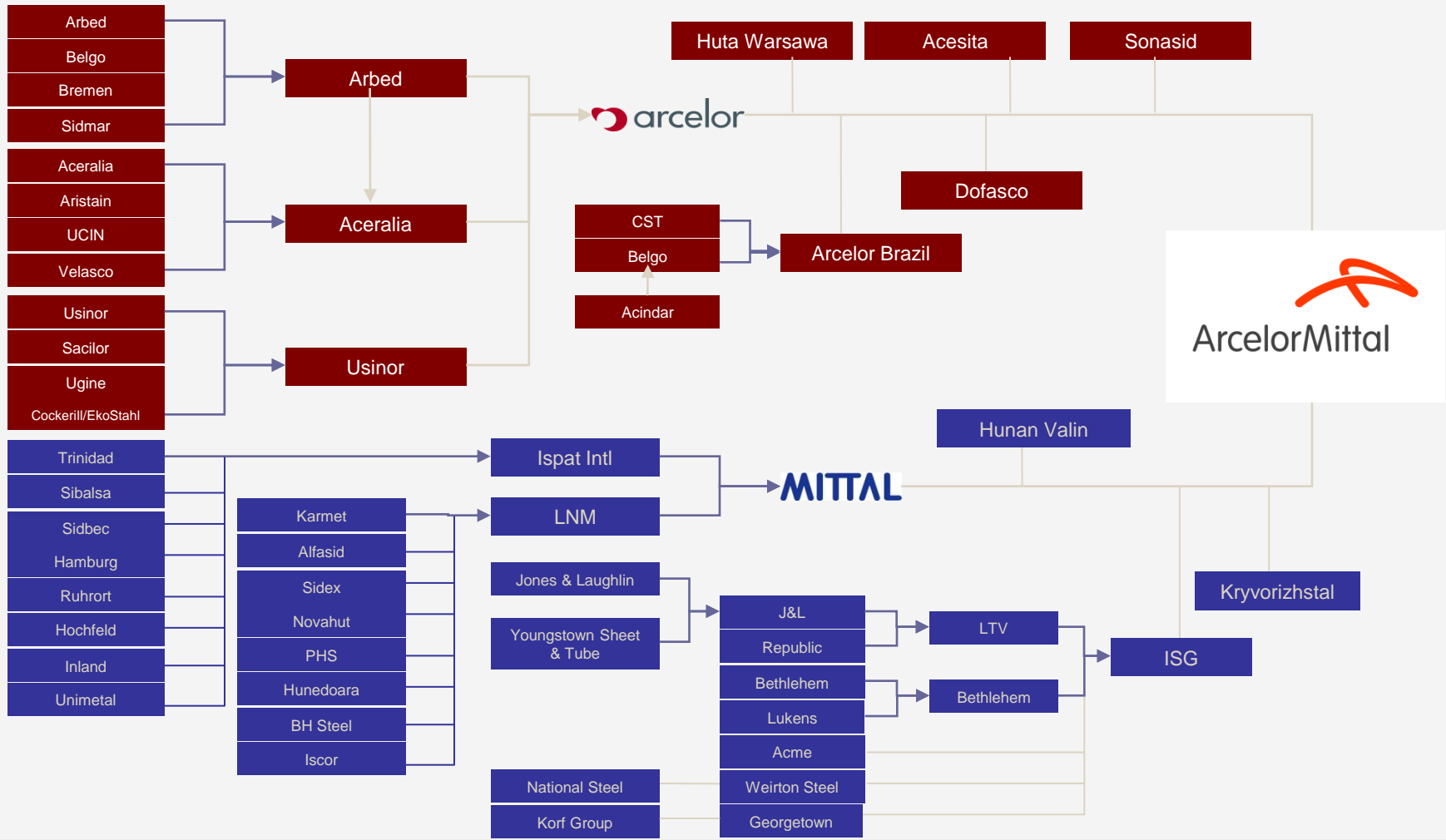
>Steel shipments are expected to increase by approximately 1-2% in 2013 as compared to 2012

Leader in the metals and mining sector with 63 blast furnaces and 49 electric arc furnaces

*Successful spin-off of stainless steel business (Aperam) following shareholders approval on January 25, 2011. Accordingly stainless steel results have been shown as discontinued operations and all periods reported (results and operational KPI's) have been recast.

**Own iron ore and coal production excluding strategic long-term contracts.

Strong track record of successful integration

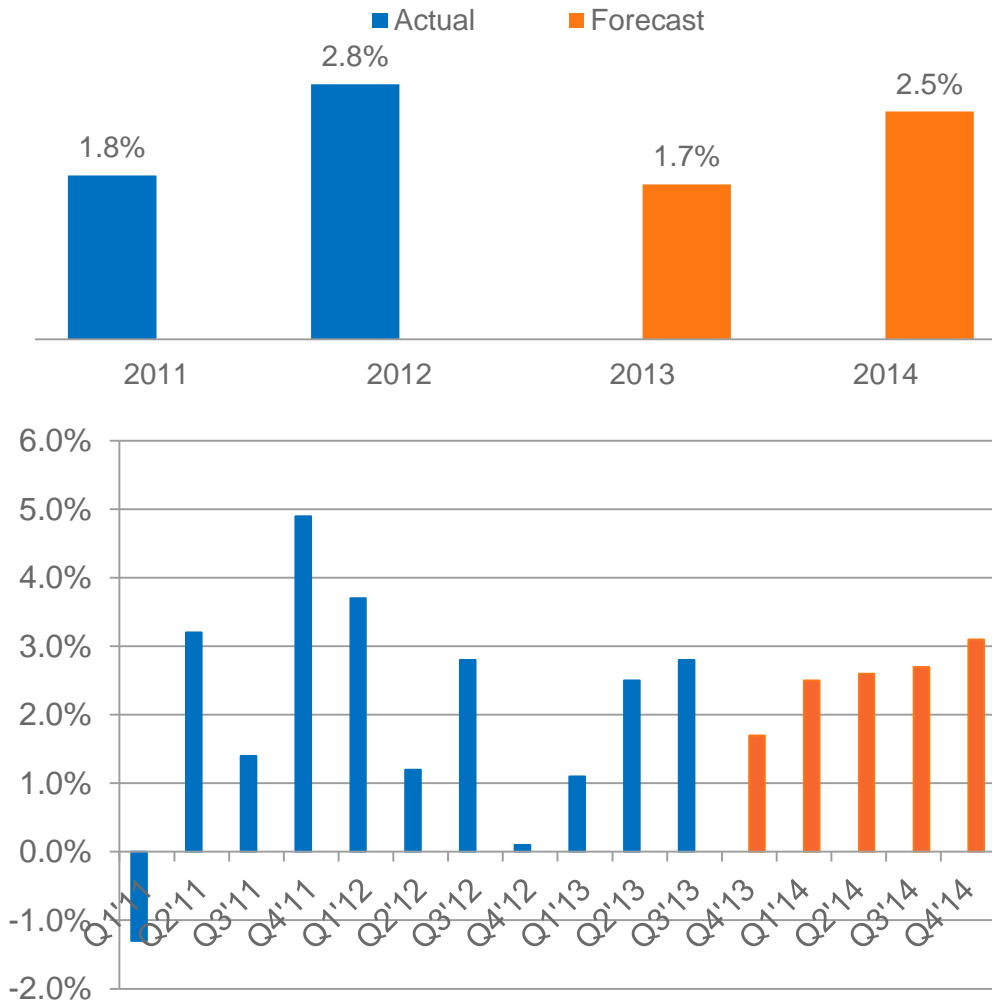


The Economy

U.S. economic growth slows from fiscal tightening in 2013 but stronger outlook is seen for 2014.



GDP Growth 2011-2014 : Annual & Quarterly



- Latest deal in Washington puts stress on Q1'14 with federal government only funded through January 15th and debt ceiling only suspended until February 7th.
- Q4 likely downgraded from current forecast of 1.6%.
- While Q1'14 was originally supposed to benefit from Q4's weakness, this may not happen as Congress will again need to pass a deal.
- The early October forecast called for stronger growth in 2014 as housing is no longer a drag on economy and consumer spending continues to grow. This may be revised.

Industrial production growth slows but returns to 2007 levels by end 2014.

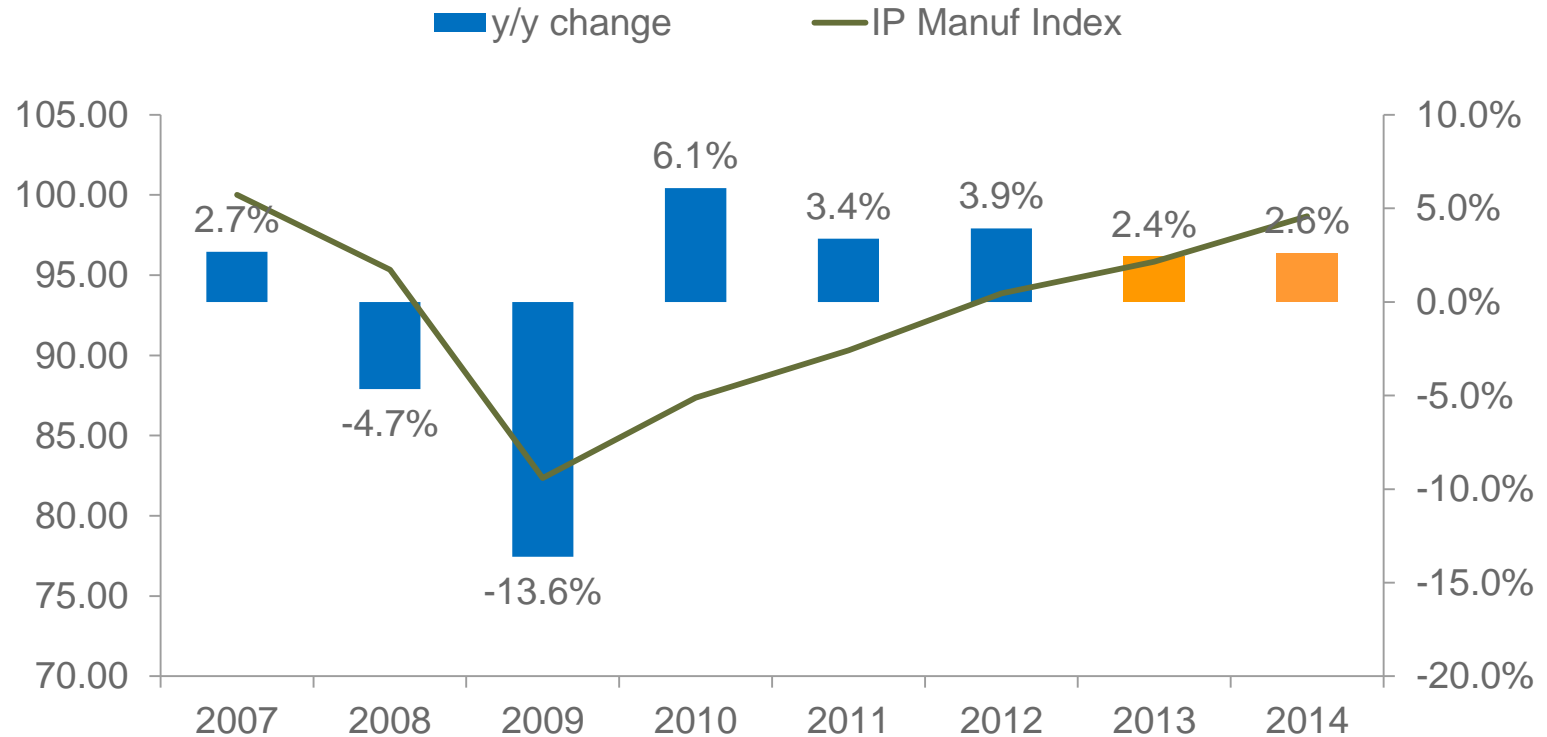


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U.S. Manufacturing Output

IP Index (2007=100)

y/y % change

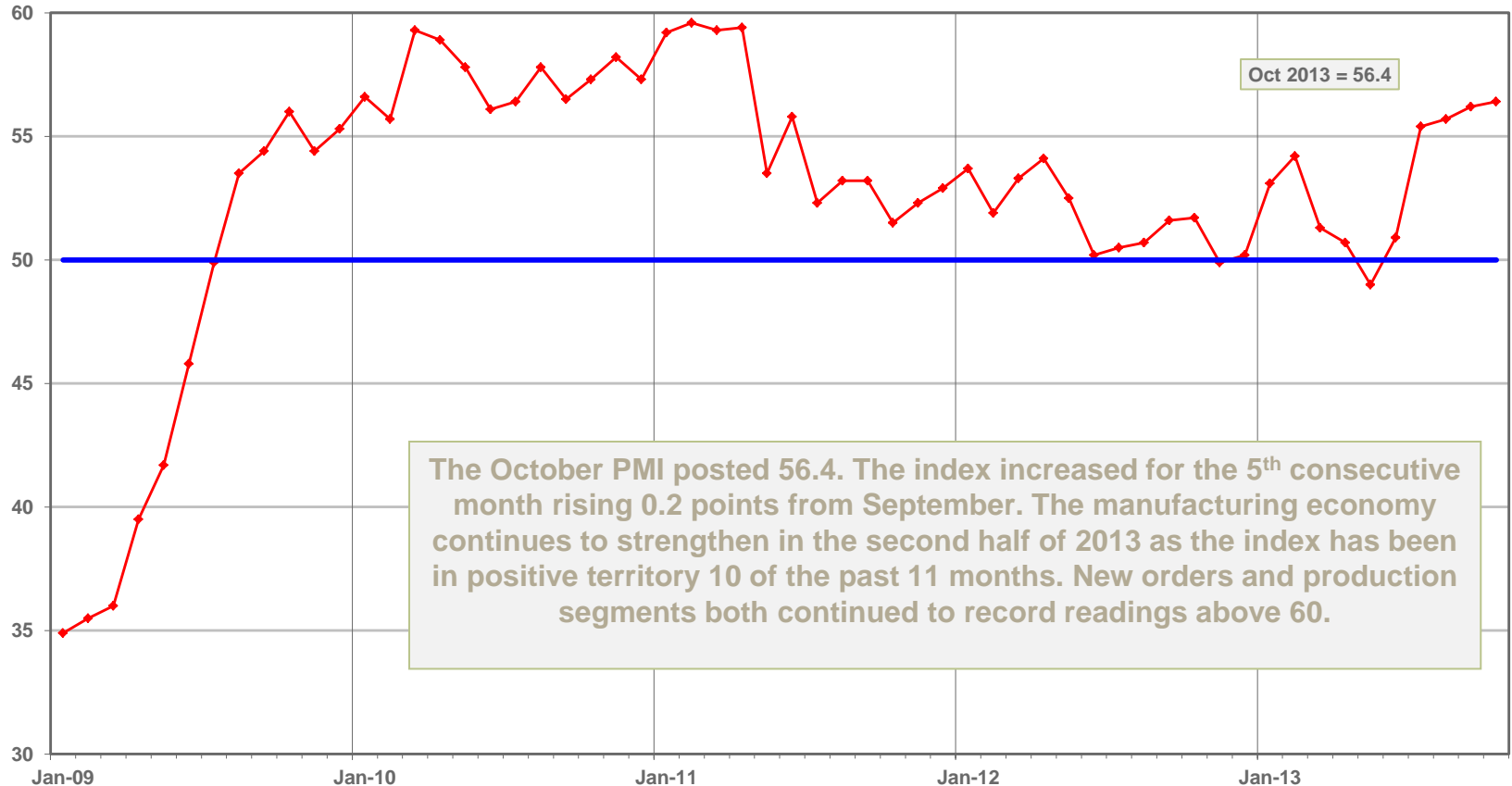


Manufacturing recovery is nearing completion and re-shoring trends point to bright future outlook.

IMS Manufacturing PMI



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A PMI reading above 50% indicates that the manufacturing economy is generally expanding

Manufacturing output expected to pick up in 2H 2013 and into 2014, but weak economy will limit growth.

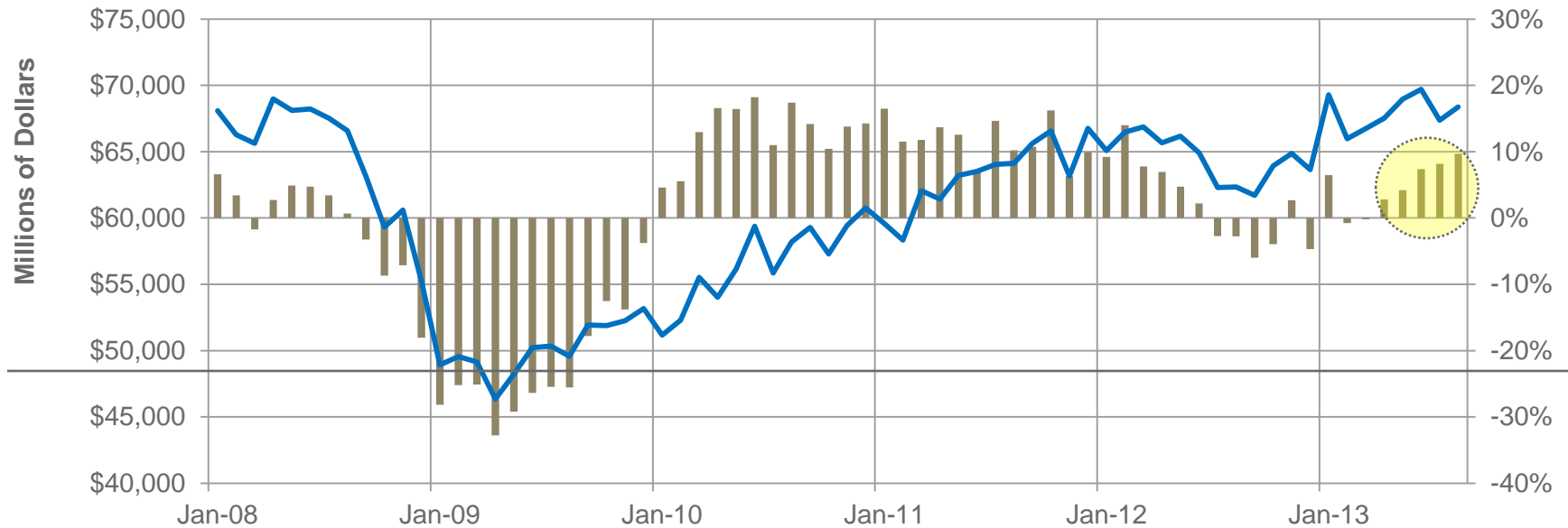


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New Orders of Capital Goods, Excluding Defense and Aircraft

Jan 2008-Aug 2013, seasonally adjusted

■ y/y change — New Orders \$



The last 5 months show y/y growth in durable capital orders. In the past 3 months, growth has averaged over 8%.



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Steel Markets

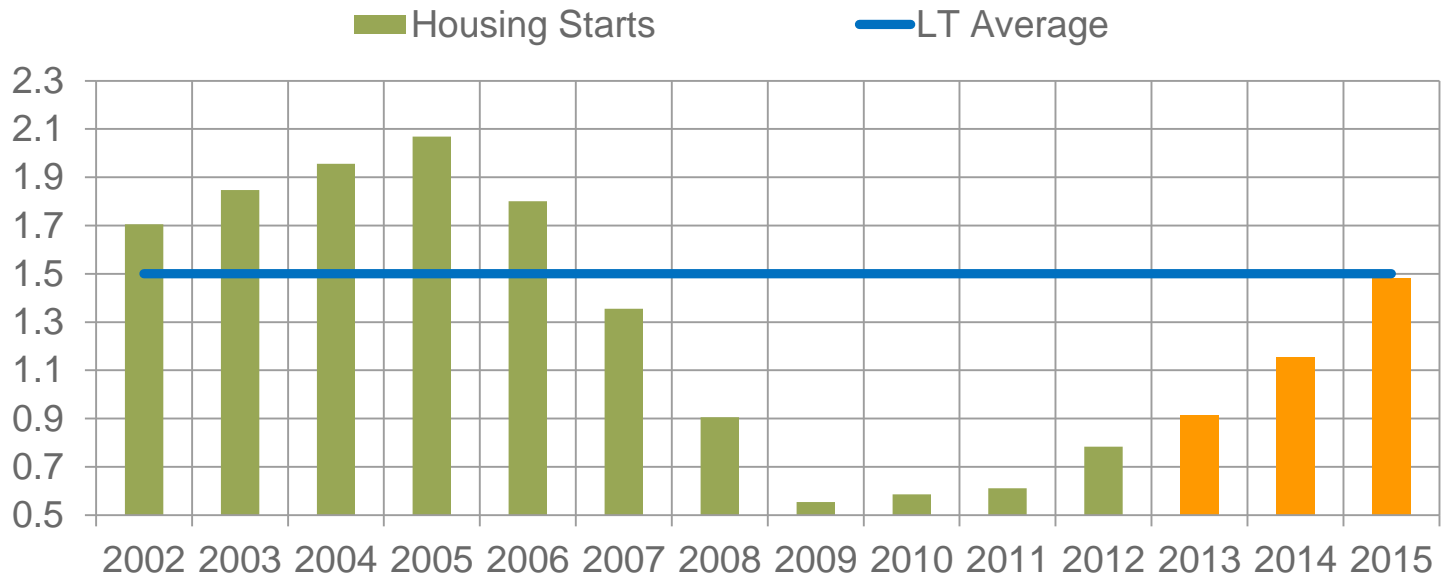


The ArcelorMittal Orbit

Residential construction downturn much more severe than nonresidential but recovery is underway.



U.S. Housing Starts 2002-2015F



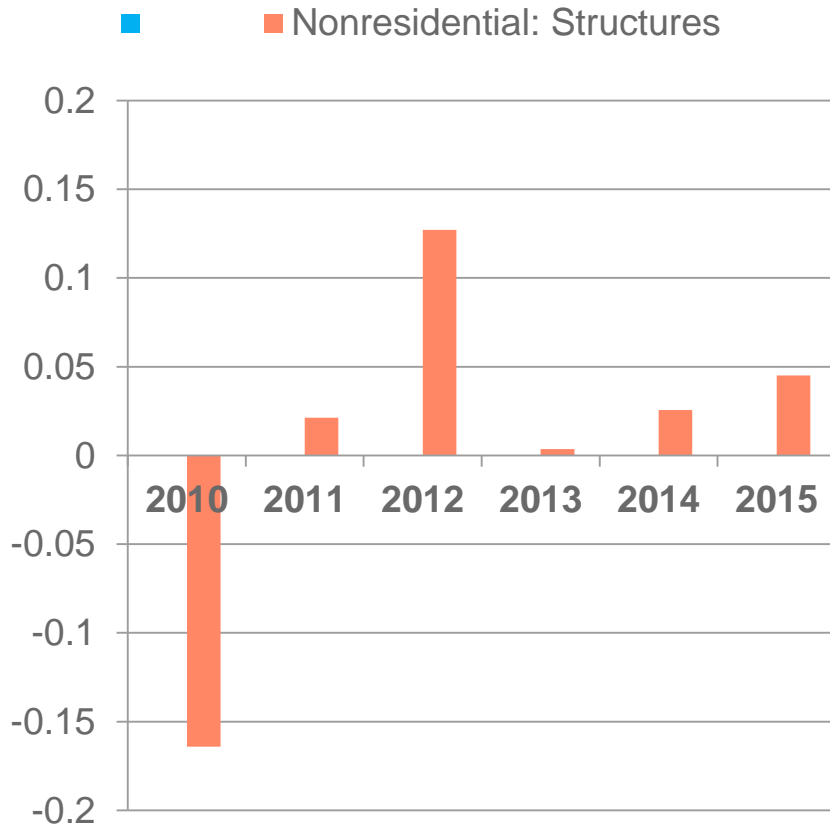
Rising interest rates could slow housing recovery. However, lending standards are beginning to ease which will support the market.

Sources: Census Bureau; IHS Global Insight, Oct 2013

Nonresidential construction market will improve in 2014 as recovery gains some traction.

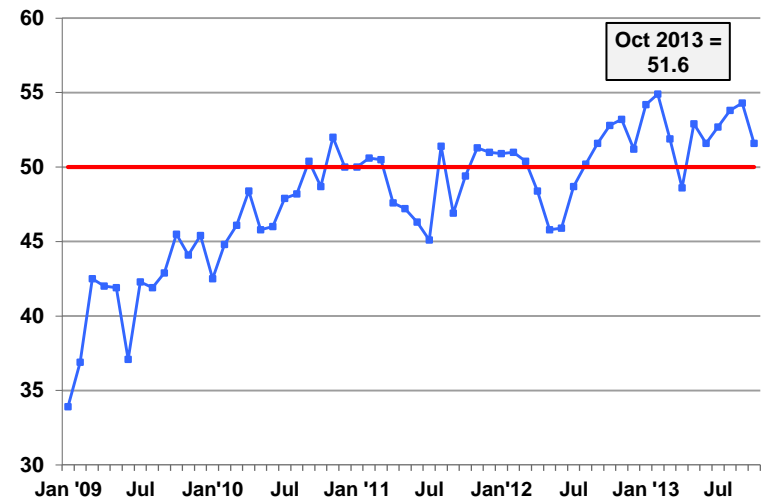
U.S. Fixed Investment

2010-2015 y/y% change

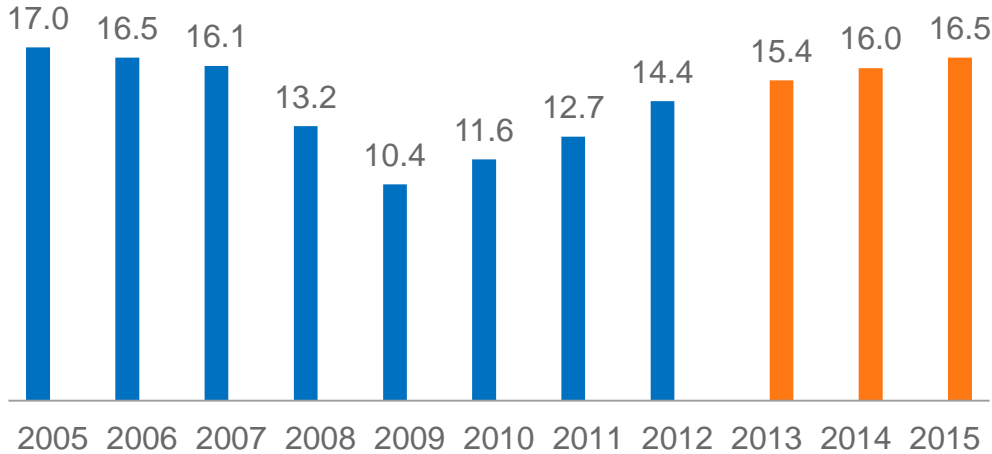


AIA Architectural Billings Index

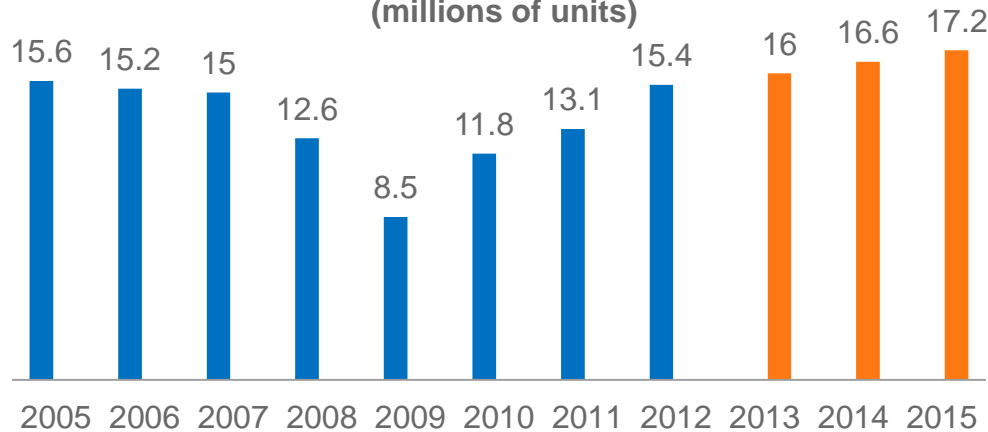
Jan 2007-Oct 2013



US Auto Sales (millions of units)



North America Auto Production (millions of units)



- As the economy gradually improves pent-up demand for new vehicles is being released. The average age of vehicles on the road is now over 11 years.
- Fleet sales were low from 2009 through 2012, adding to pent-up demand. This demand is also being released in 2013 & will continue in 2014.
- Auto credit markets are improving.
- As the housing market improves demand for pickup trucks is improving.
- While gasoline prices are high, improved fuel economy of new vehicles has become a positive for sales. OEMs offer more high mileage vehicles than in the past.
- Although the unemployment rate is not improving significantly the workforce is increasing every month and this adds to demand for new vehicles.
- As the market recovers to previous levels the YOY pace of improvement is slowing.

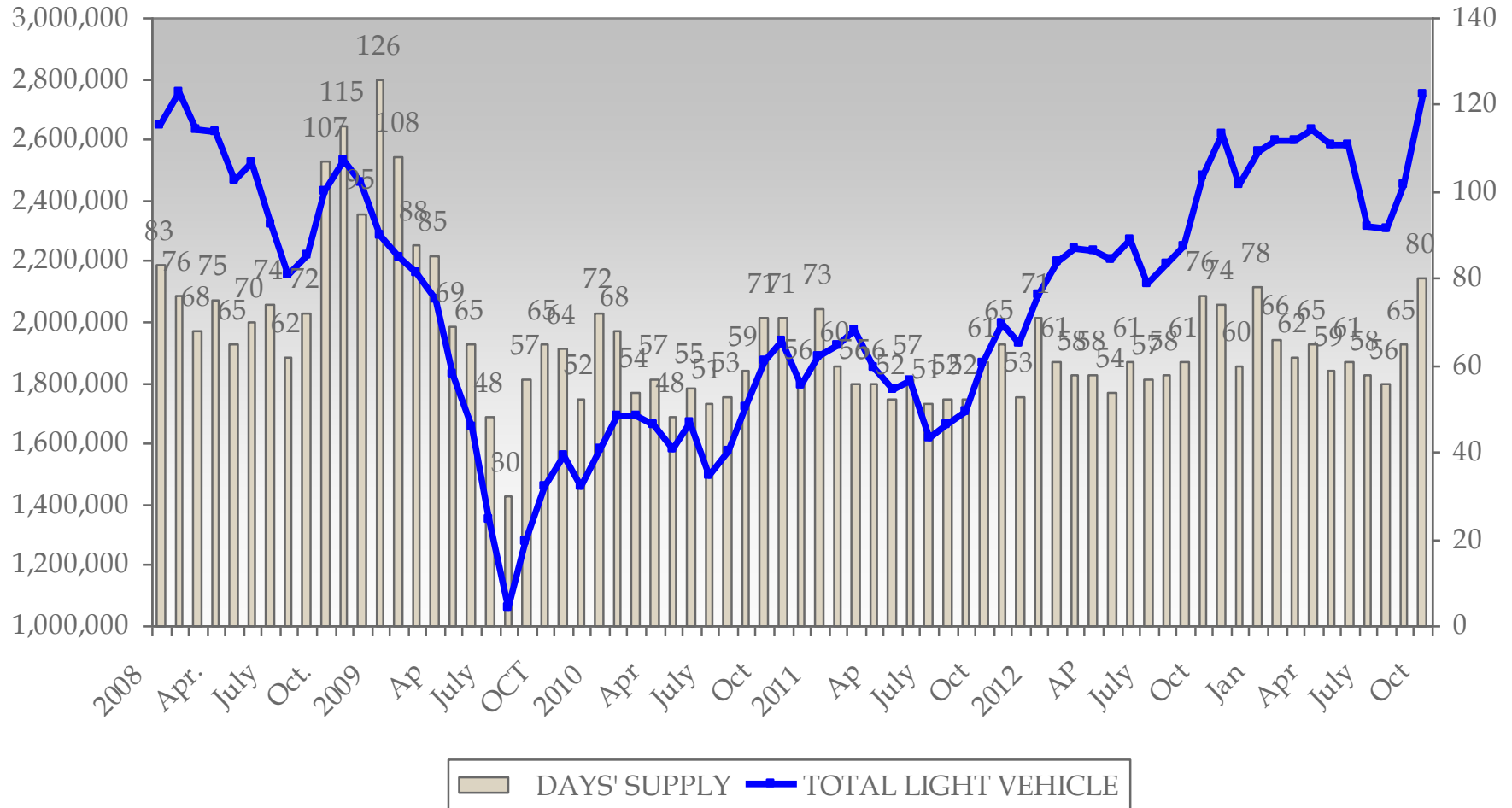
U.S. Auto Inventories



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Light Vehicle Inventory - Units

Light Vehicle Inventory - Days Supply



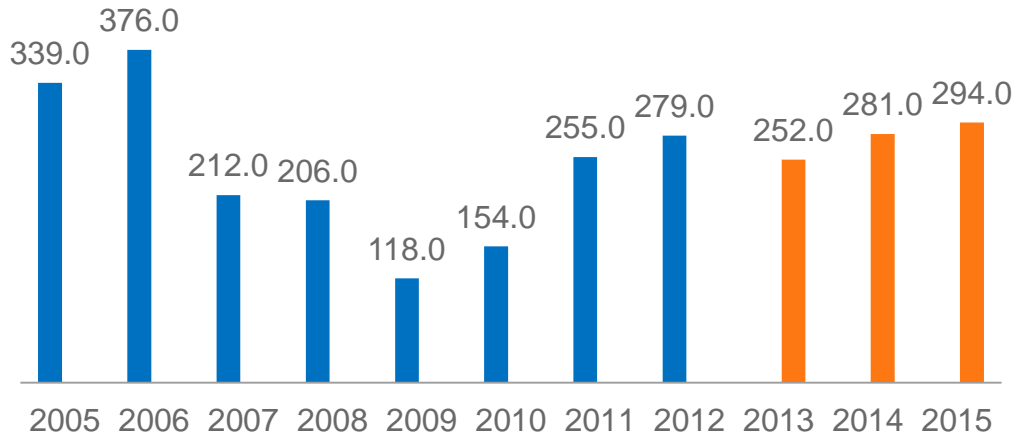
Source: Wards Automotive

Heavy and Medium Duty Truck

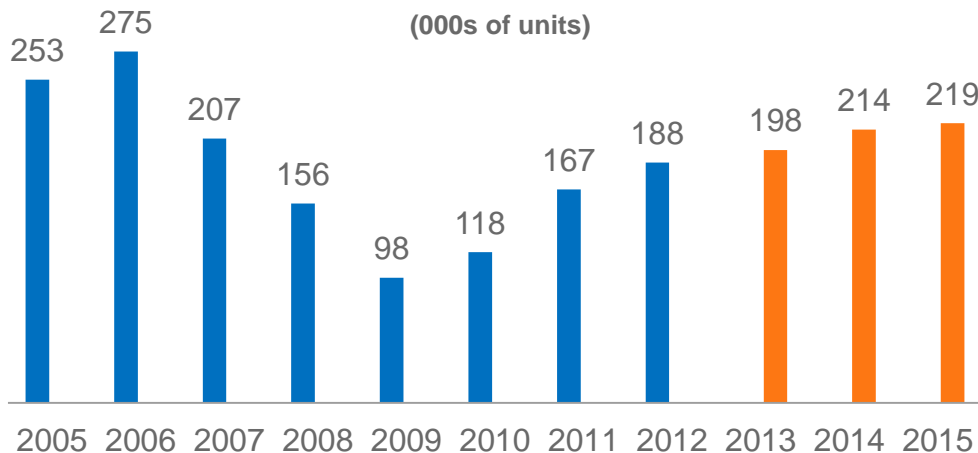


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Class 8 NAFTA Truck Production
(000s of units)

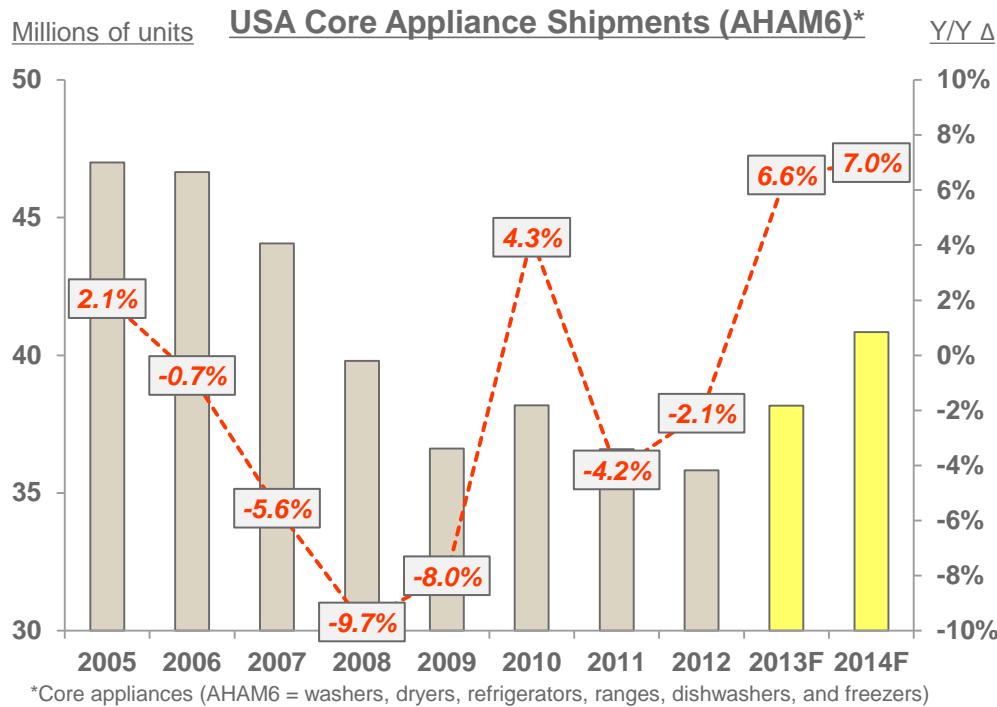


Class 5-7 NAFTA Production
(000s of units)



- In 2013 new emissions requirements went into effect. There was some pull forward due to this and that has softened 2013 demand.
- Freight demand and truck supply is currently in balance. This balance is expected to tip toward truckers in the second half of 2013 and into 2014 as economic expansion improves, although only gradually.
- Trucker profits are at replacement levels.
- Current fleet is old due to deferred capex; trucks have become very expensive.
- EPA mandates and rising materials prices have significant impact on new class 8 prices.
- Economic uncertainty makes truckers cautious, but inventories have dropped and used truck prices are now high.

- The forecast is below the replacement level and is expected to remain that way into 2015.
- Economic uncertainty and tighter credit weigh more heavily on medium duty buyers than on class 8 buyers.
- Local government budget cuts also restrain medium duty market.
- Medium duty tied more closely to housing market and consumer spending. Recovery in housing is helping sales marginally.



2013YTD appliance shipments are up 9.0% compared to the same period of 2012

2012

- AHAM6 shipments closed out 2012 down 2.1% compared to 2011

2013-2014

- 2013 demand forecasted to increase 6.6% Y/Y after last few years of negative growth.
- Expect continued recovery in 2014 of another 7% increase in shipments.

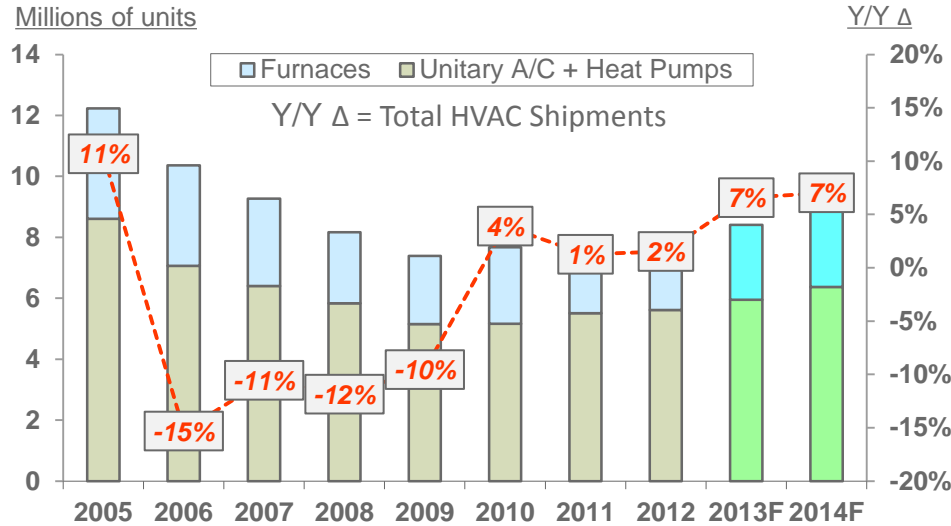
Market Drivers

- Housing starts forecasted to gain 20% in 2013, 29% in 2014, and 24% in 2015
- Existing home sales forecasted up 10% in 2013 (highest level since 2006) and another 8% in 2014
- Replacement and Remodeling have picked up in 2013
- Consumer spending is up in 2013 although income growth has slowed
- Typical appliance life cycles are nearing or have already passed
- Consumer confidence/sentiment at higher levels
- Energy efficiency –sustainability initiative/standards
- New finishes, trends and suites of appliances targeting consumers
 - Gen Y - largest population of new home buyers
 - Aesthetic appeal/innovation

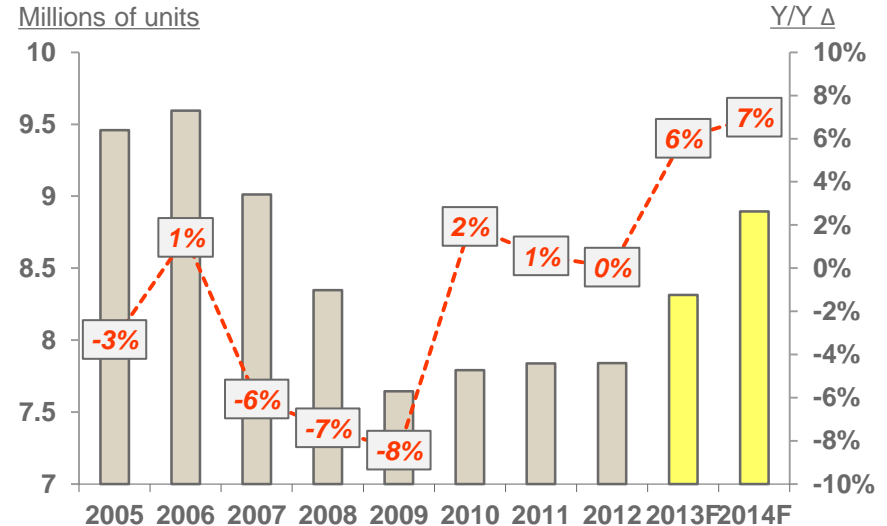


HVAC and Water Heaters

USA HVAC Shipments (Unitary A/C & Furnaces)



Water Heater Shipments: (Residential + Commercial)



2012

- HVAC shipments were up 1.5% Y/Y and water heater shipments were flat compared to 2011

2013-2014

- 2013 has built momentum indicated by healthy shipments across the board versus 2012. Expect positive demand in years ahead.

Market Drivers

- Consumers are replacing old or damaged units
 - Replacement accounts for 75% of sales
- Housing recovery will create continued growth
- Builder confidence/ business conditions indices are up
- Weather and seasonality
- Energy efficiency leading new product innovation
- Industry regulation

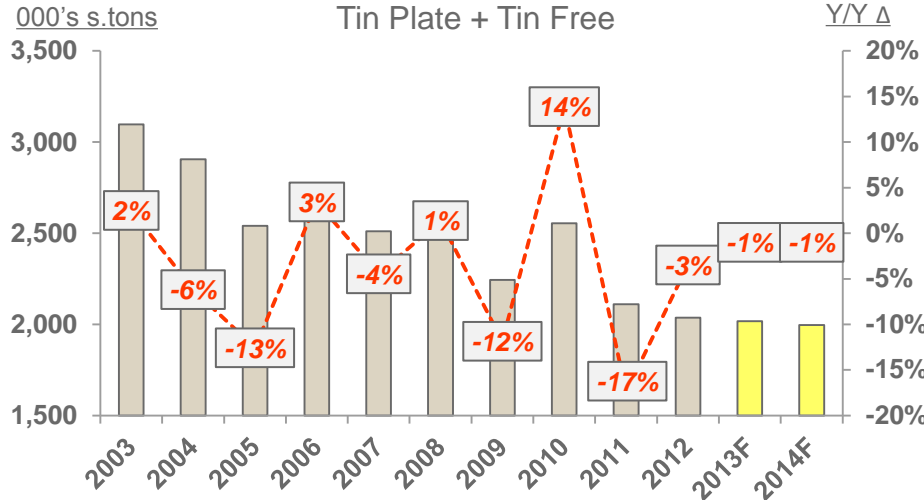
Shipments	2013 v. 2012	2013 (f)	2014 (f)
Unitary A/C + Heat Pumps	+11%	+6%	+7%
Furnaces	+22%	+8%	+7%
HVAC Total	+13%	+7%	+7%
Water Heaters	+7%	+6%	+7%

Source: AHRI (thru July 2013), AMUSA forecast

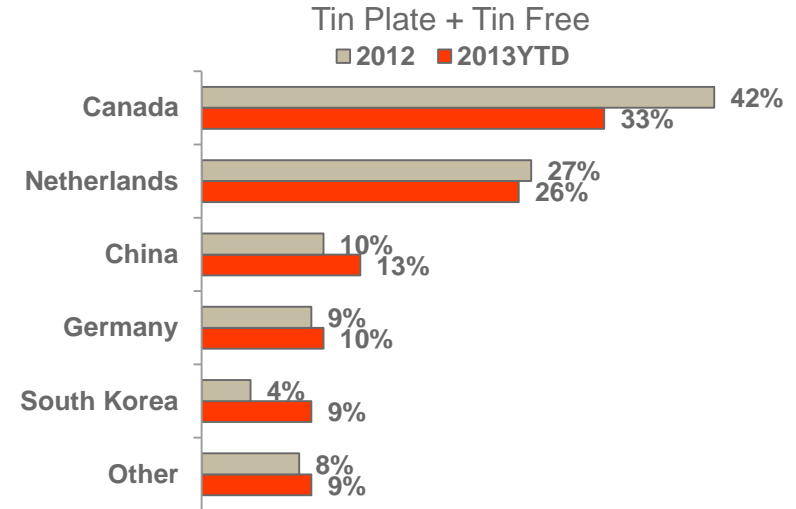


Tin Mill Products

USA Domestic Shipments



Tin Imports % by Country



2012

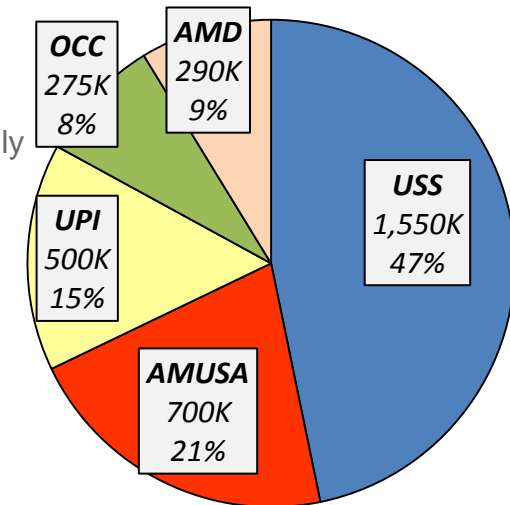
- Domestic tin shipments declined 3% in 2012
- ASC actually rose 2%
- Tin imports in 2012 represented 24% of ASC

2013-2014

- 2013YTD domestic tin shipments are down 3%
- ASC is up 5% due to tin imports – tracking 28% of ASC
- Domestic tin shipments are forecasted to decline 3-4% in 2013 and be flat in 2014.

NAFTA Tin Mill Product Capacity

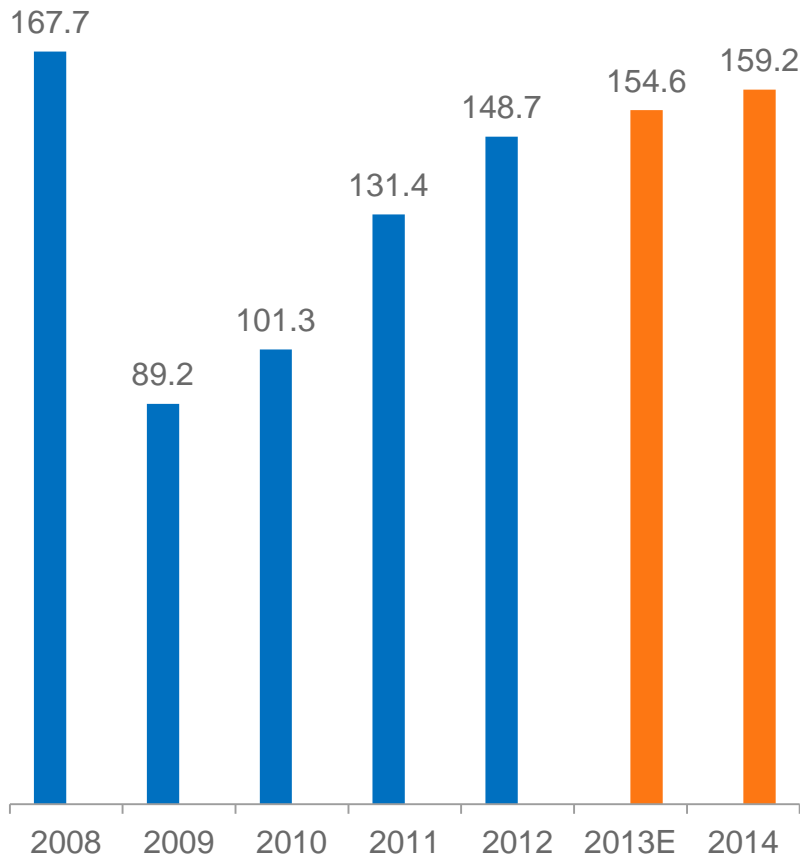
Tin market is oversupplied both domestically and globally



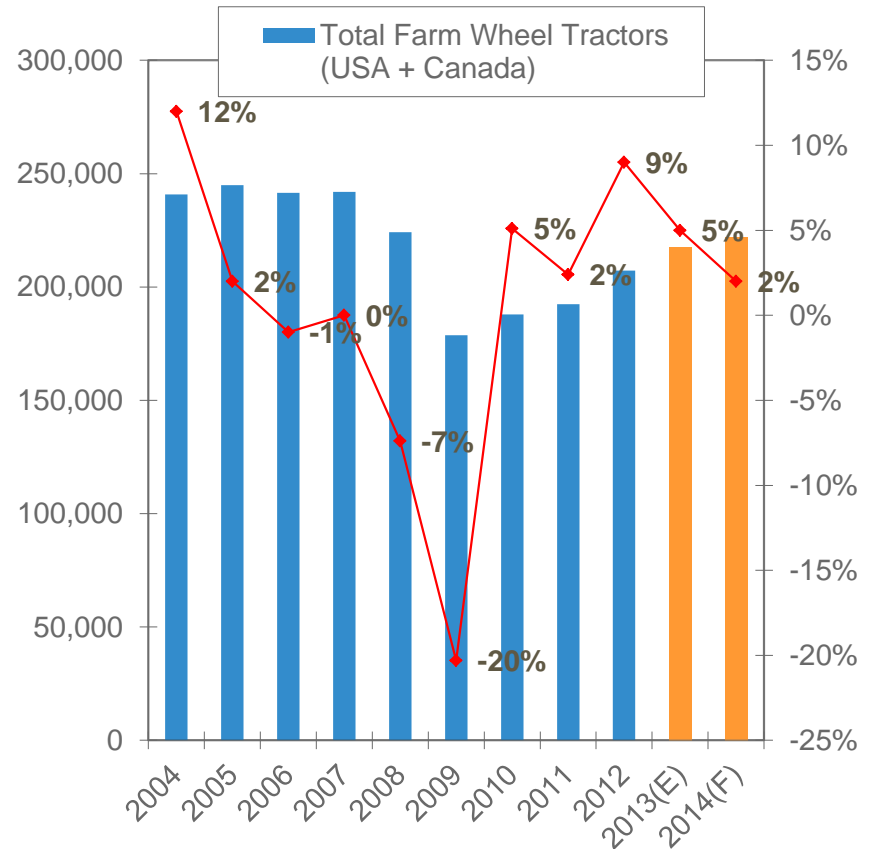
Source: AMUSA marketing estimate

Construction & Agricultural Equipment

N.A. Construction Equipment Units Built (000's)



USA & Canada Annual Tractor Retail Sales

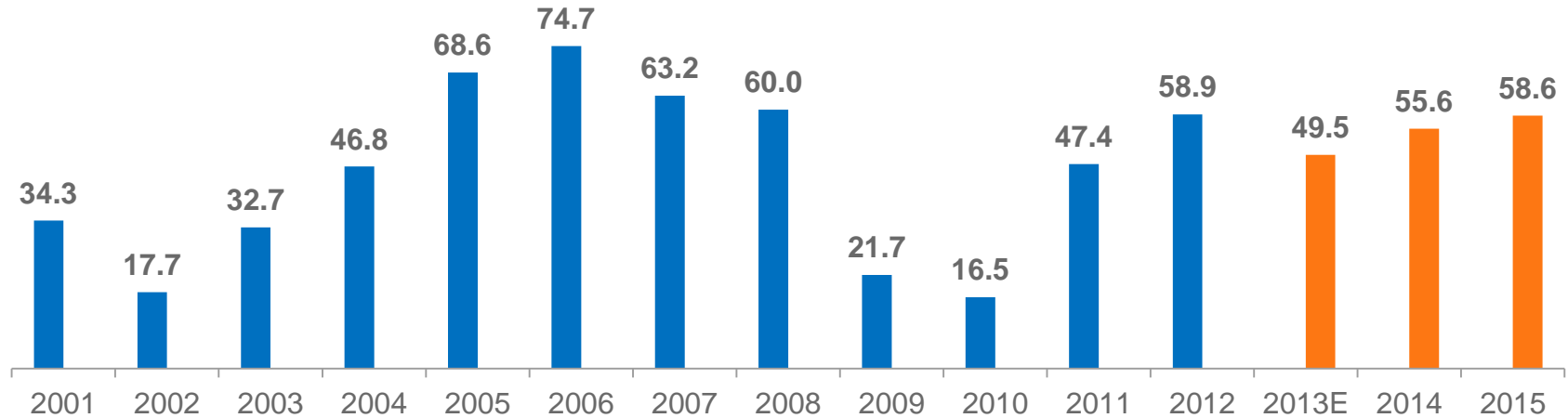


Sources: Historical -Yengst & Associates ; Forecast Goldman Sachs; www.caterpillar.com

Sources: Assoc of Equipment Manufacturers, Deere Fact Book (Historical), Forecast based on AEM growth estimates

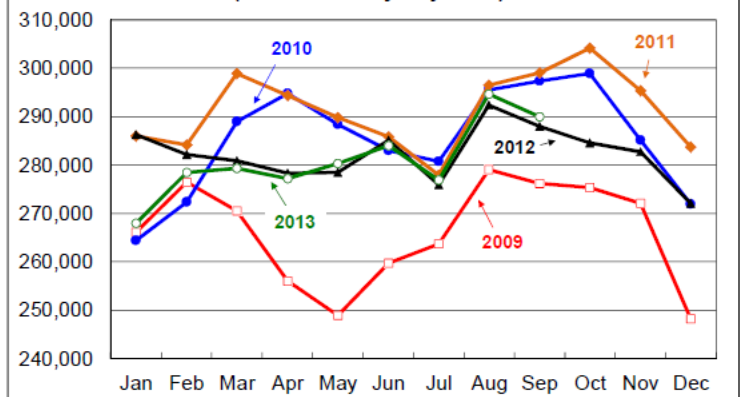


Shipments of New Railcars (in 000's)



- Total railcar forecast calls for a 12% increase in 2014 following a 16% drop in 2013.
- Year to date U.S. carloads originated totaled 7,217,899 units, down 1.5% from a year ago for the same time period.
- Grain and coal car shipments continue to underperform. Petroleum and petroleum products are up 47.9% YTD over 2012.
- As of Jul 1, 2013, 33,547 cars in storage (19.8% of fleet).

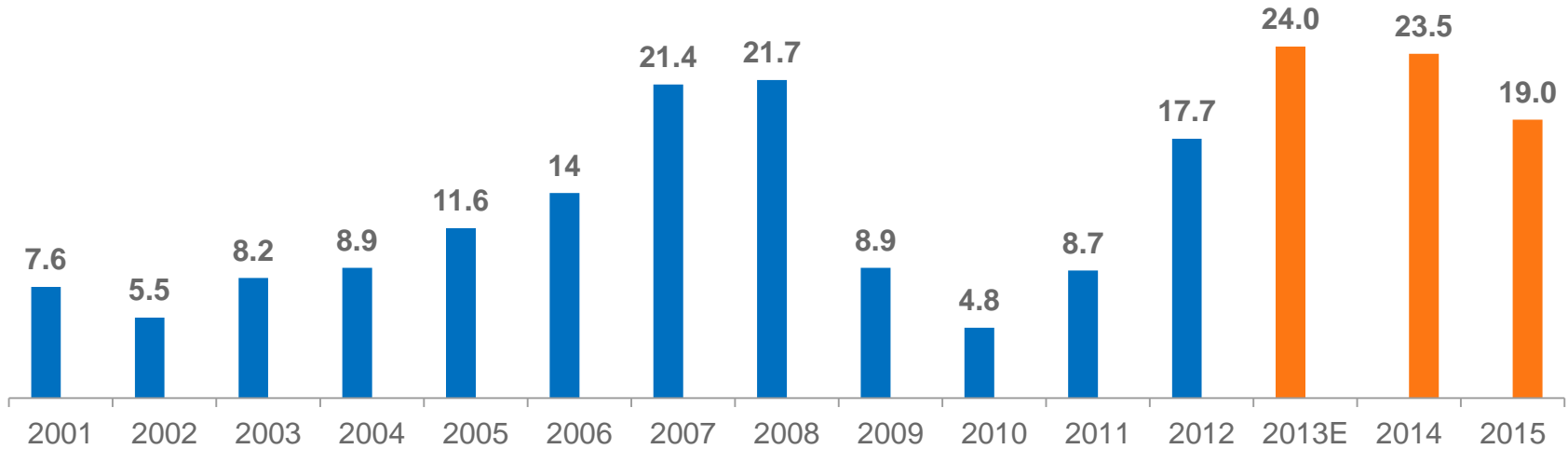
Average Weekly U.S. Rail Carloads: All Commodities (not seasonally adjusted)



Data are weekly average originations for each month, exclude U.S. operations of CN and CP, and reflect revisions to original reporting. Source: AAR Weekly Railroad Traffic

Rail Tank Cars

Shipments of New Tank Cars (in 000's)



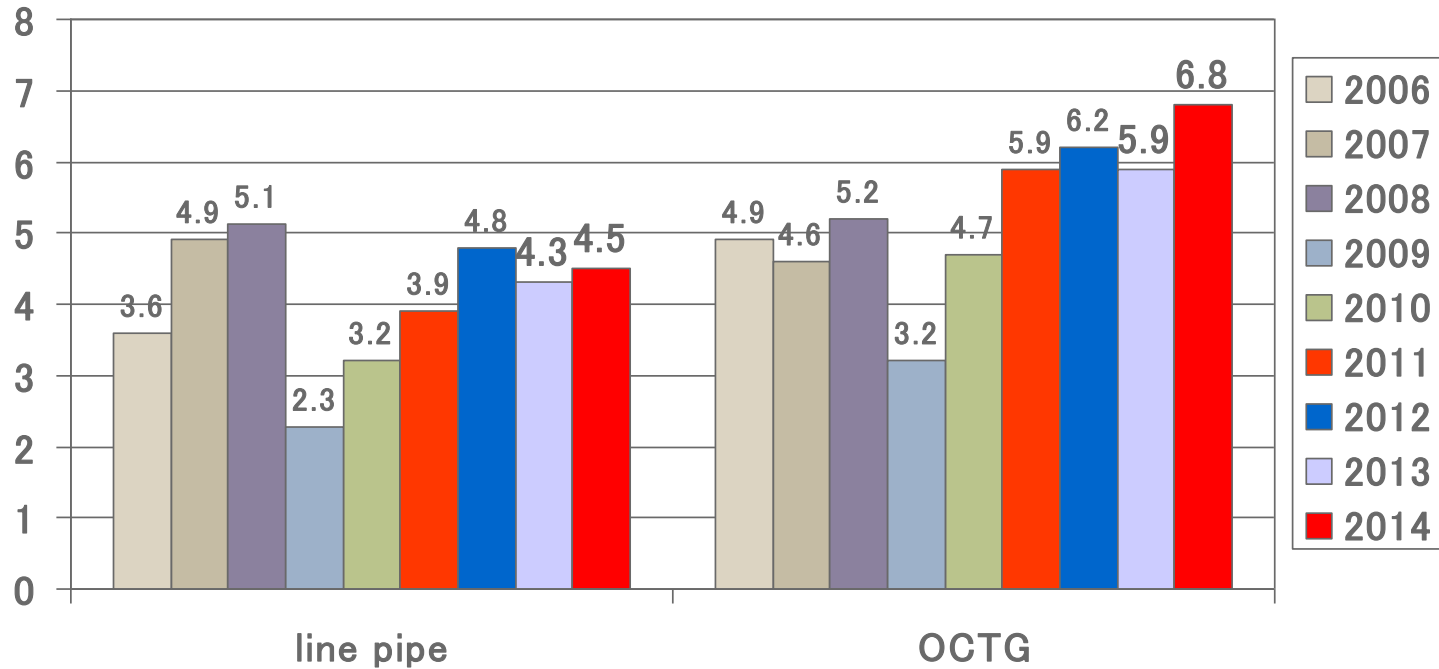
- Shipments of new tanks cars are expected to decrease 2% in 2014 following 36% growth this year.
- Demand for replacements will remain around 12,000 units per year. Growth demand has peaked and will see a slow decline in the next few years.
- Tank cars will likely become the largest railcar segment by unit shipments in 2013.
- Tank cars account for approximately 85% of industry backlog.
- Models built before 2005 cannot be retrofitted with new design standards, so there is less risk of a “bubble” market.



USA Energy Market Steel Demand

(millions of tons)

Demand for OCTG moves with drilling activity while line pipe demand lags by approximately 18 months



Source: History and forecast, Preston Pipe & Tube Report, November 2013

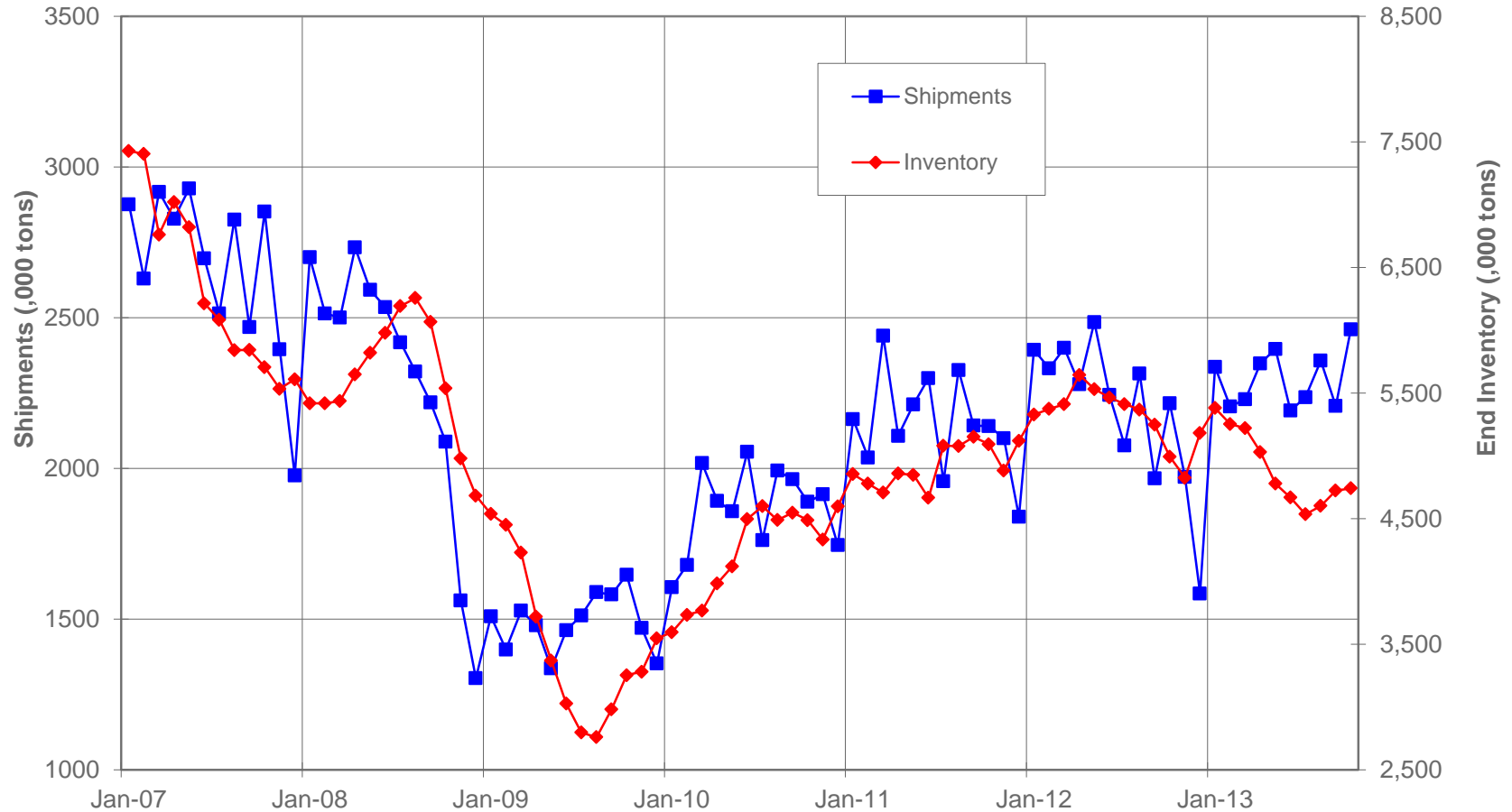
USA Service Center Data: Carbon Flat Roll

Shipments & Inventory



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Service Center Monthly Shipments and Inventory - October 2013

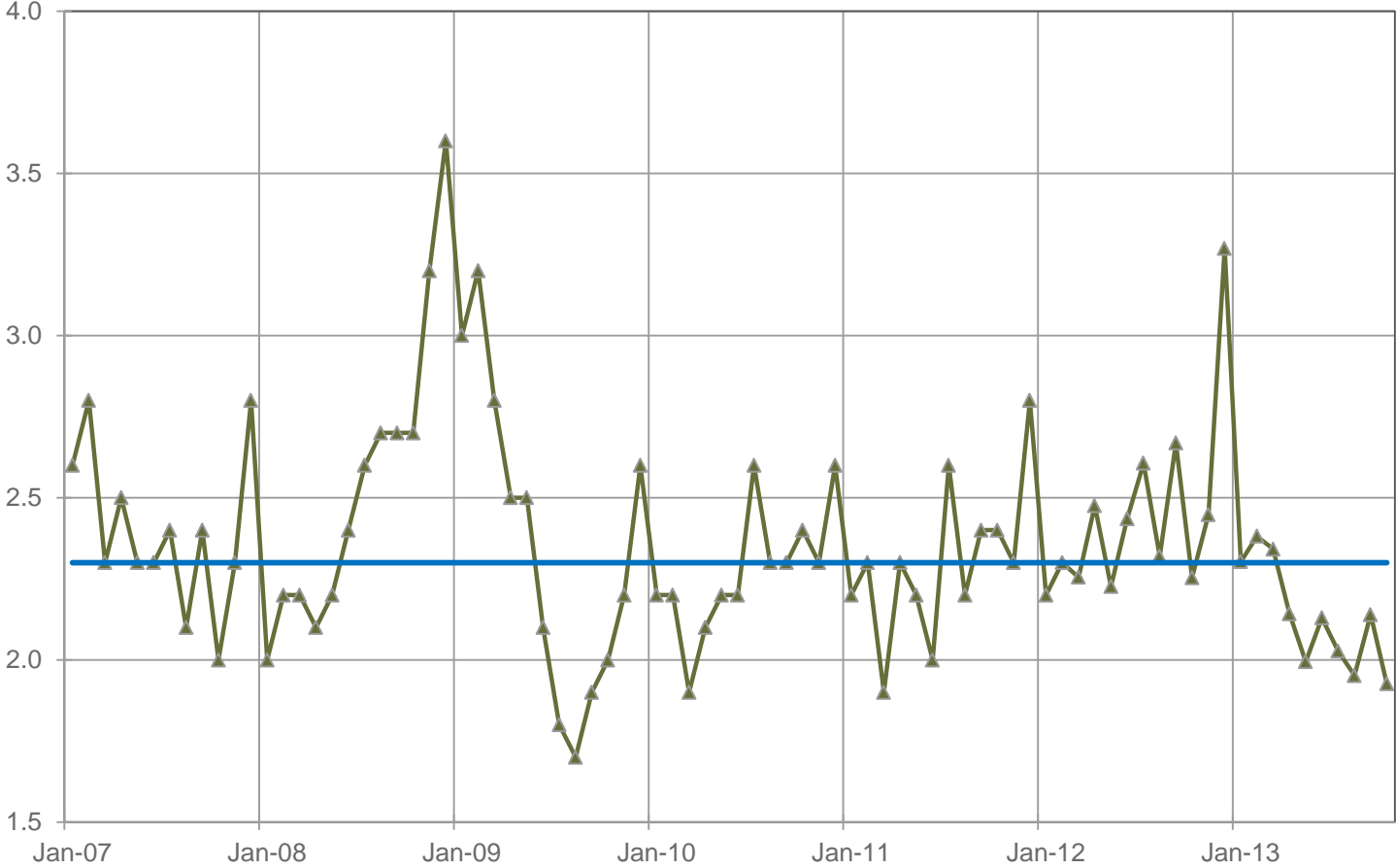


USA Service Center Data: Carbon Flat Roll

Months-on-Hand



Months on Hand – October 2013





Steel demand change 2013

Auto	
Residential Construction	
Non-residential Construction	
Machinery	
Agriculture	
Electric motors	
Infrastructure	
Energy	
Steel Inventories	

Most major steel consuming markets will continue to recover over the next 18 months. However the pace of recovery for the US economy is still very slow. Therefore, there is no expectation that we will see robust growth any time soon.

Source: AMUSA analysis

Steel Consumption Forecast Summary

2013 and 2014 SRO Forecast (net tons)



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Source: AISI

Finished Steel (Million Net Tons)	2012	2013	Δ YOY	2014	Δ YOY
Industry Shipments	95.9	96.7	+1%	100.2	+4%
Finished Imports	25.8	25.4	-2%	25.9	+2%
Adjustments	2.0	2.2		2.2	
Exports	13.7	13.1	-4%	13.9	+6%
Apparent Steel Use (ASU)*	106.0	106.8	+1%	110.0	+3%
Inventory Change	0.2	0.1		0.5	
Real Steel Use (RSU)**	105.8	106.7	+1%	109.5	+3%

This forecast predicts a continuing recovery but, even if these predictions are achieved, 2013 ASU will still be only 86% of the 4-year annual average preceding the 2008-2009 recession. Capacity utilization was 75% in 2012 and is estimated at 78% based on the 2013 SRO forecast. But the rise in utilization rate is in part due to the closure of facilities and the loss of their production capability.

*ASU = Shipments + finished imports – adjustments – exports.

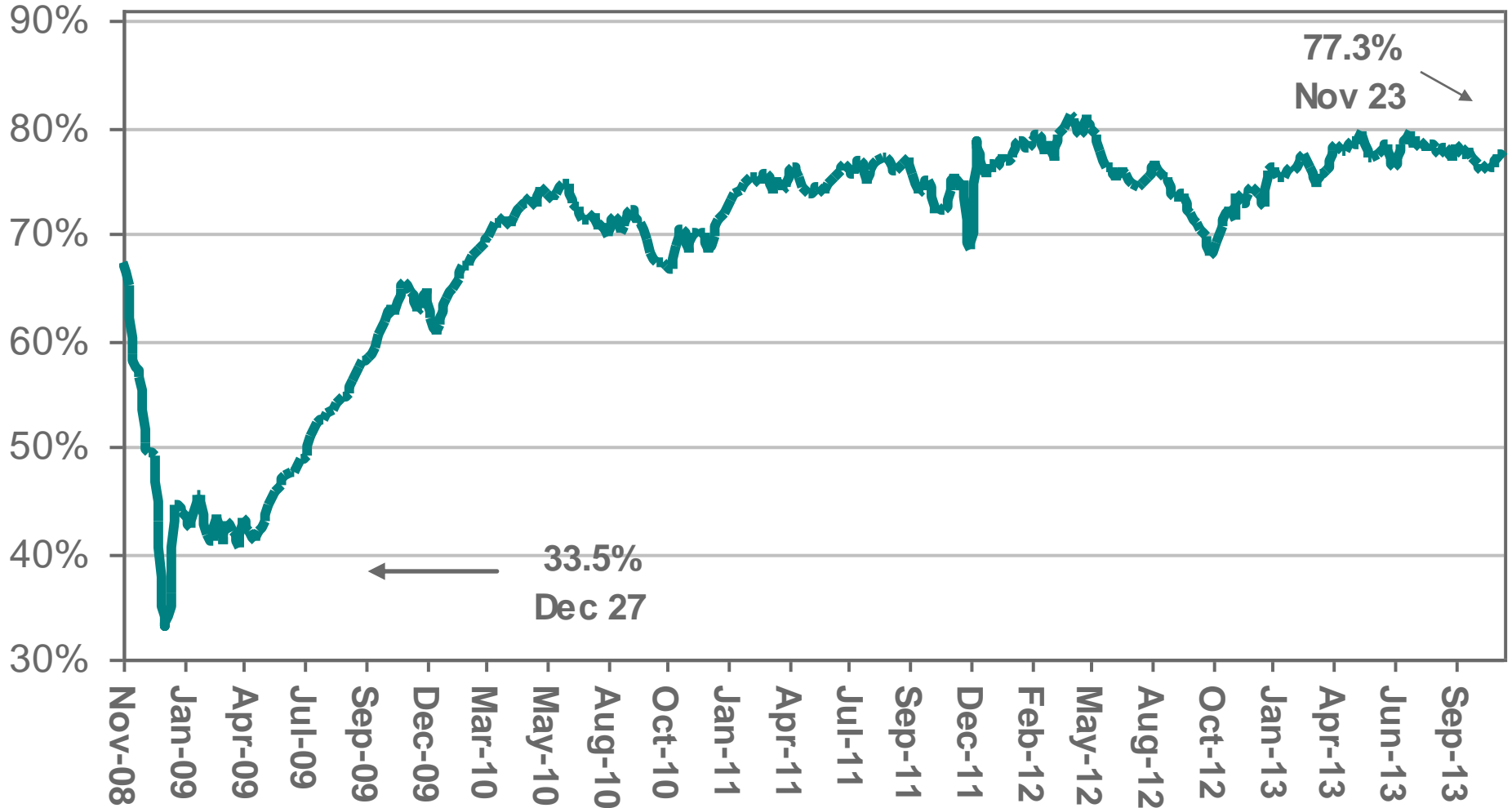
**RSU = ASU – net increase in end-user and merchant inventories.



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Steel Consumption Trends

Weekly US Raw Steel Production Capacity Utilization



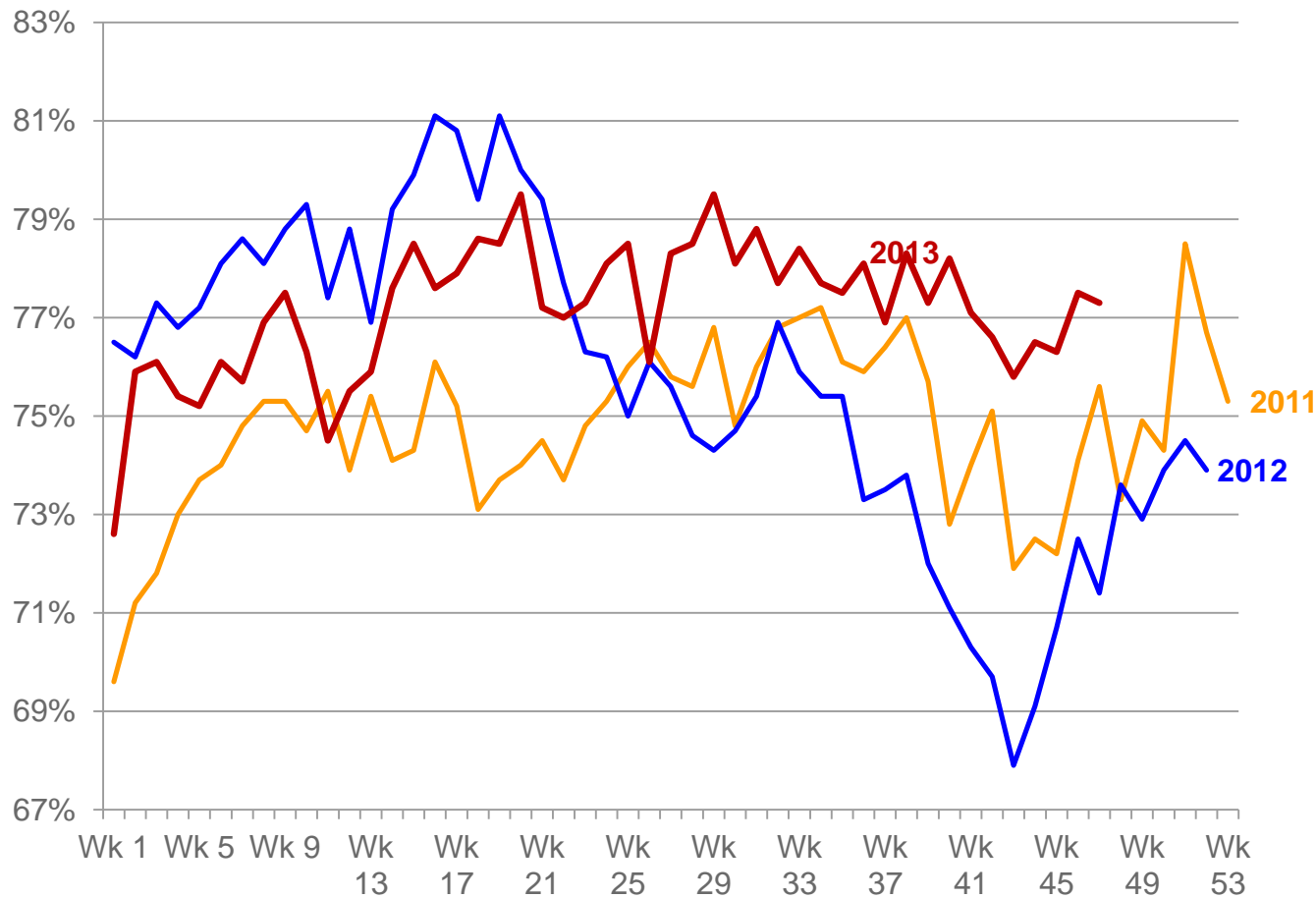
Source: American Iron & Steel Institute

U.S. raw steel production started lower than 2012 but will surpass it in the 2nd half.



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US Weekly Raw Steel Production Capacity Utilization, 2011-2013
(note: lower total capacity in 2013)

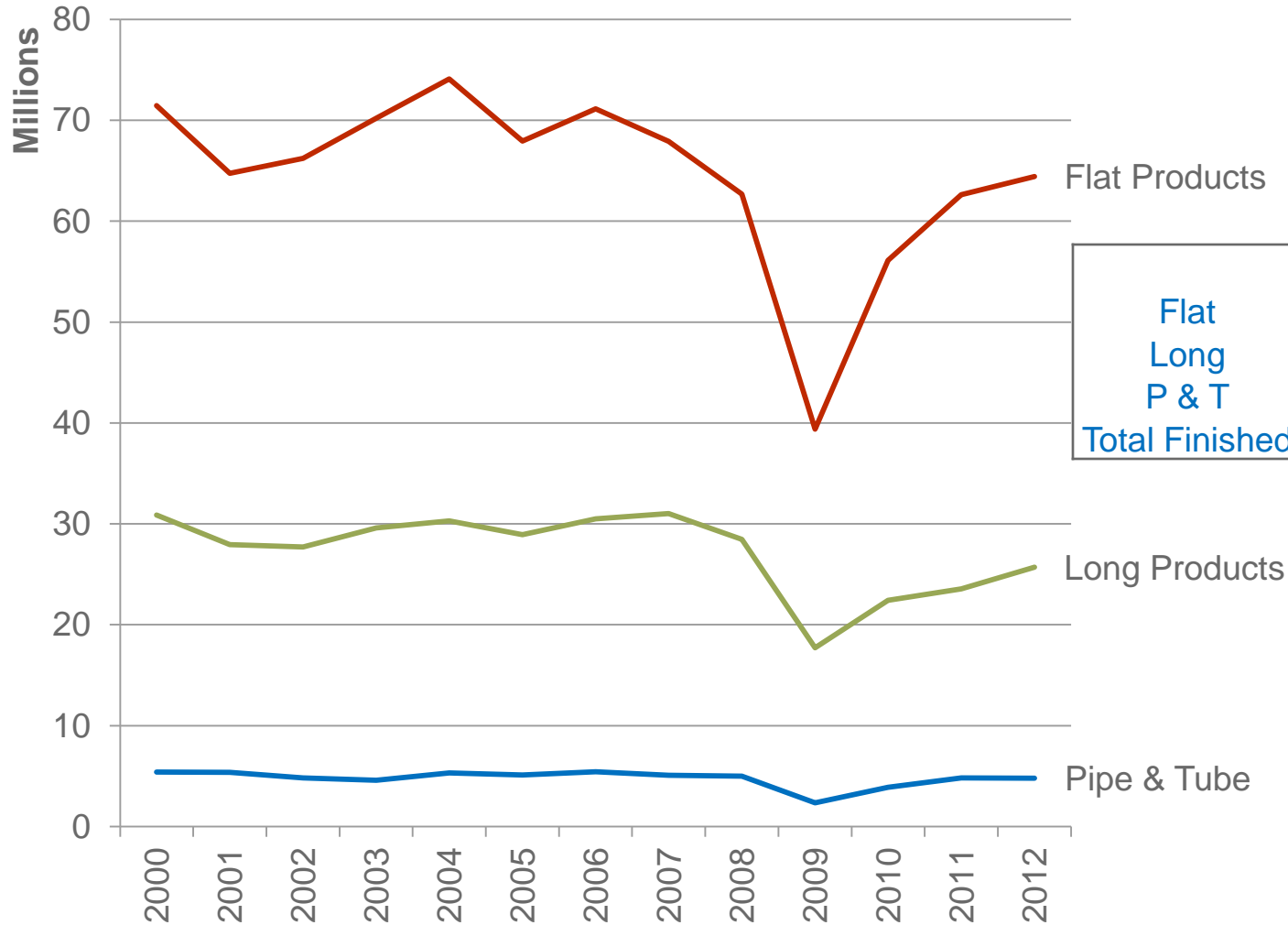


Flat Product Utilization Higher than Longs

U.S. Domestic Shipments by Product Year 2000-2012



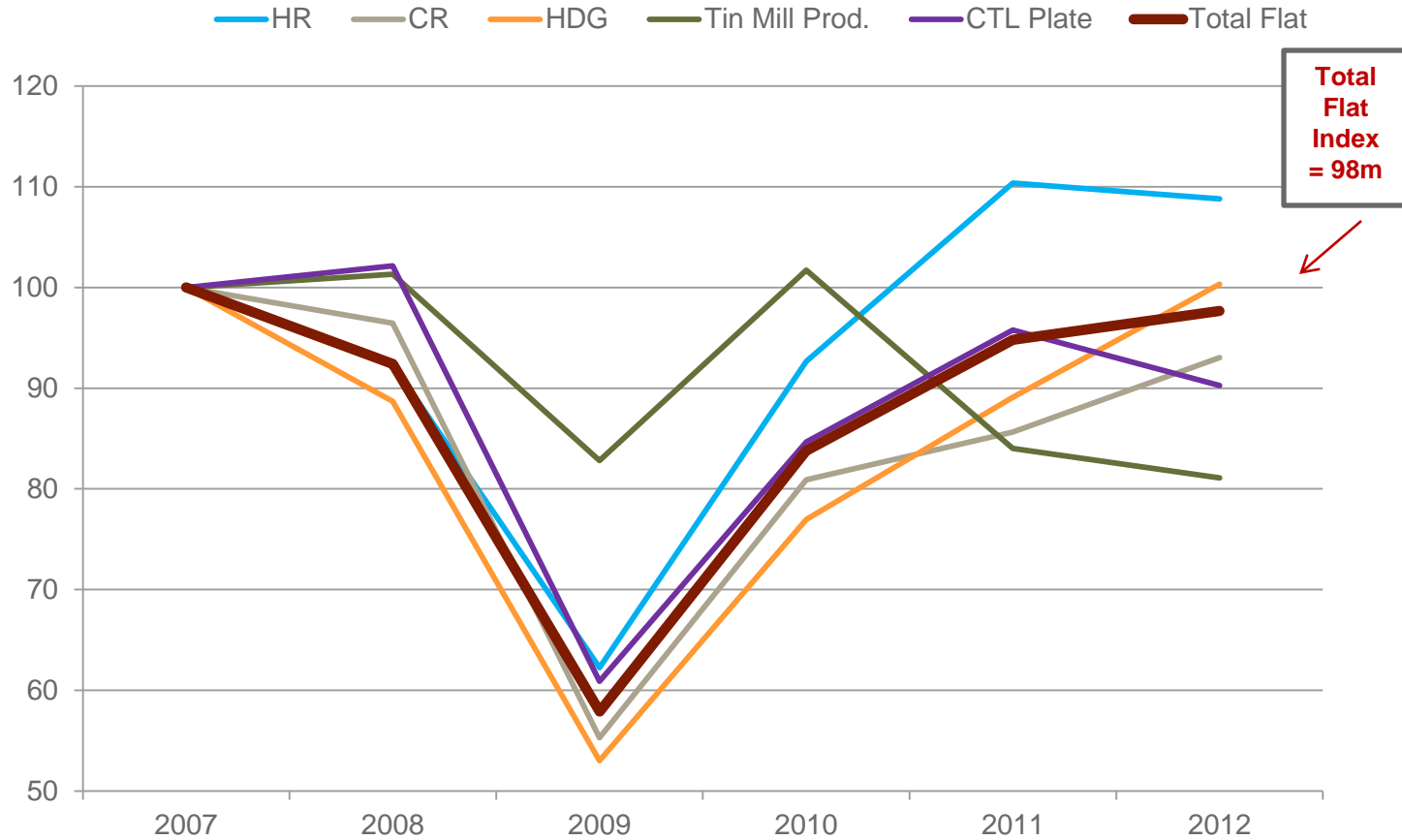
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	2007	2012	Delta
Flat	67.9	64.4	-5%
Long	31.0	25.7	-17%
P & T	5.1	4.8	-6%
Total Finished	104.0	94.9	-9%

Confidential

Flat Roll Domestic Shipment Index 2007 = 100



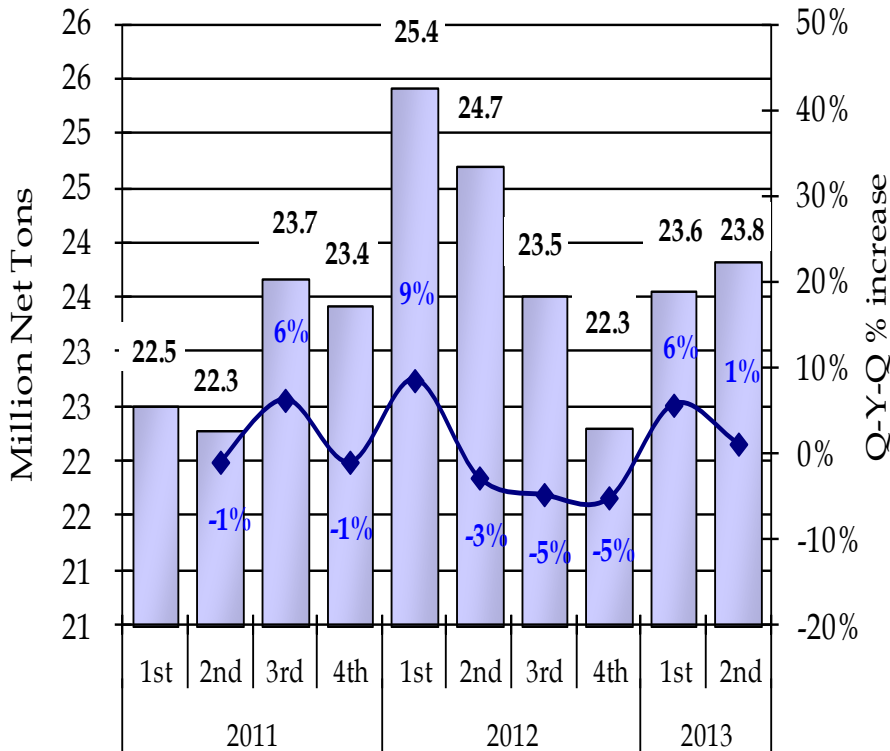
Imports surged in the first half of 2012 and have remained high



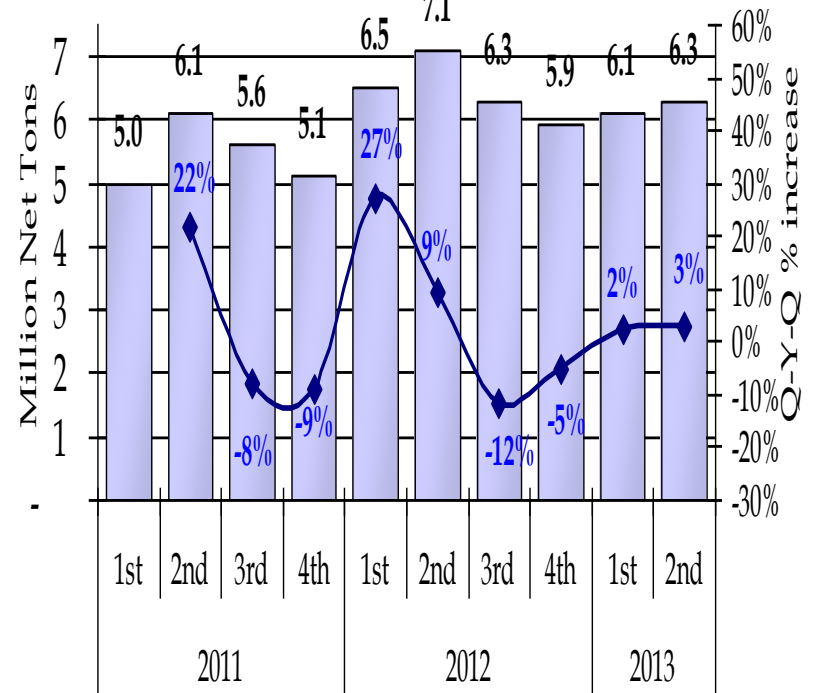
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Source: AISI, U.S. Department of Commerce

Domestic Shipments



Finished Imports



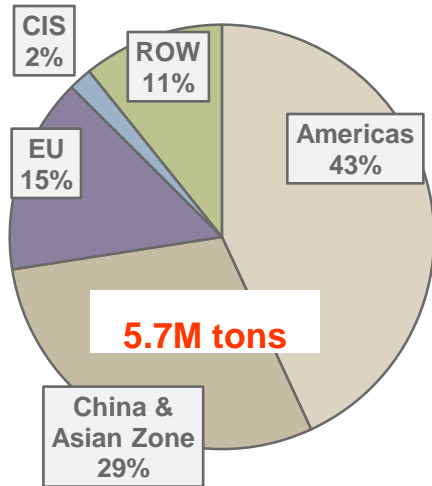
Imports: By Region (2010-2012)

(Carbon Flat Rolled)

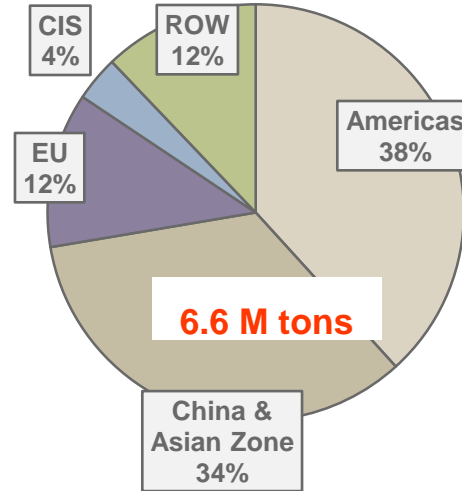


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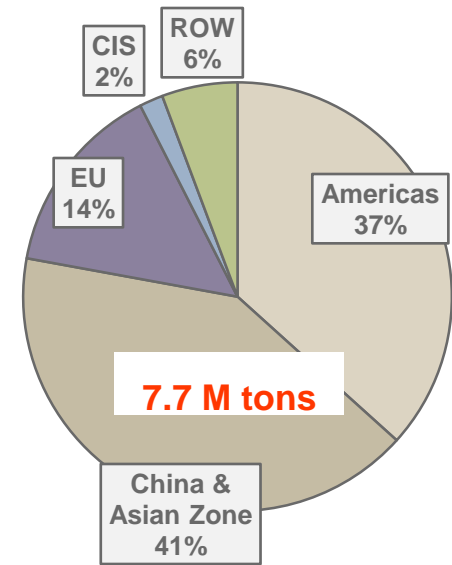
2010



2011

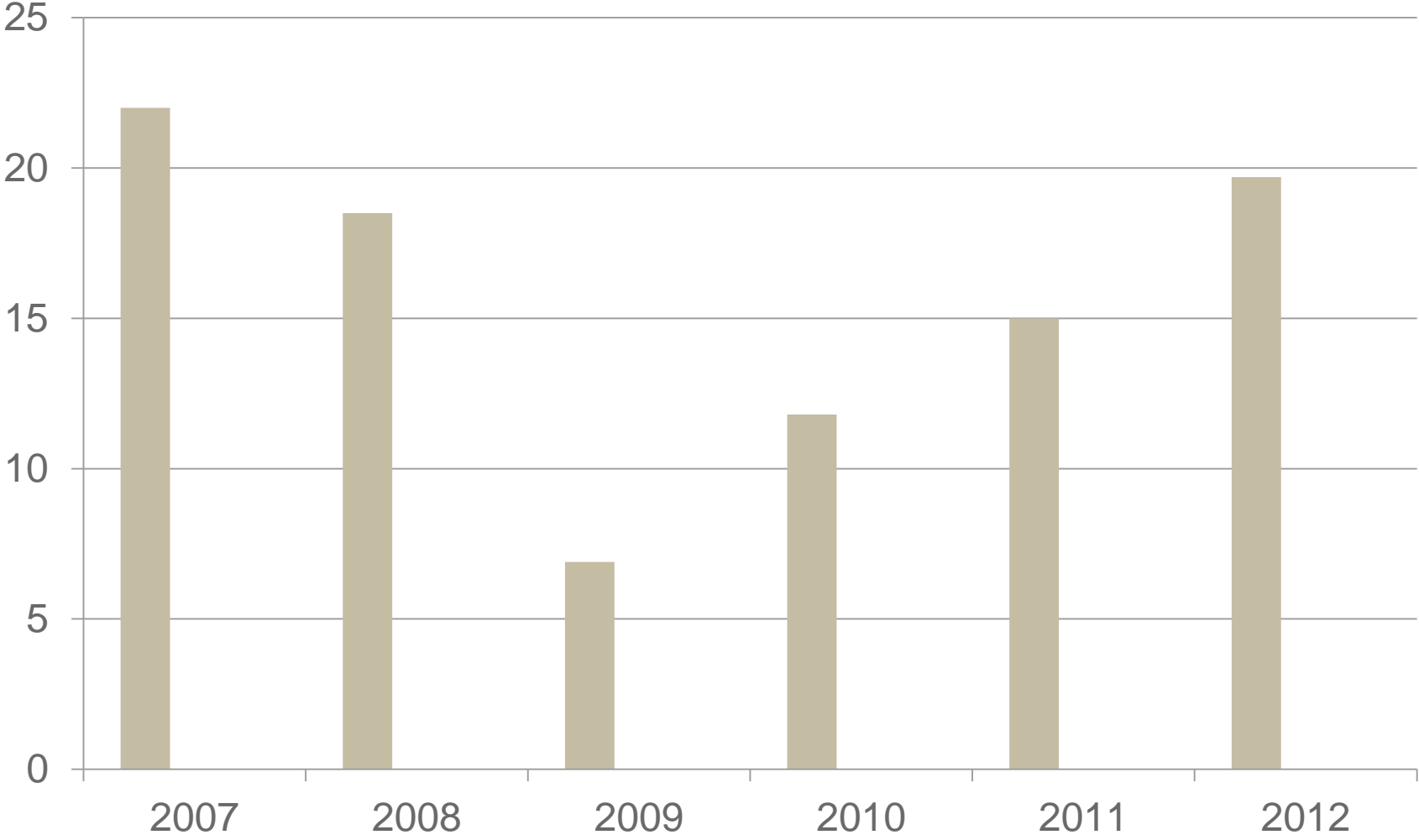


2012



Confidential

U.S. Steel Industry lost production due to Imports (millions of tons)



Global Steel Markets and Raw Materials



Europe

- Growth is uneven but has turned positive.
- Retail sales have returned to pre-recession levels in Northern Europe.
- The PMI has turned positive.
- Construction has stabilized, non-residential construction has stopped declining.
- Industrial growth is showing real gains, although small.
- Steel inventory de-stocking in Germany has been completed.



China

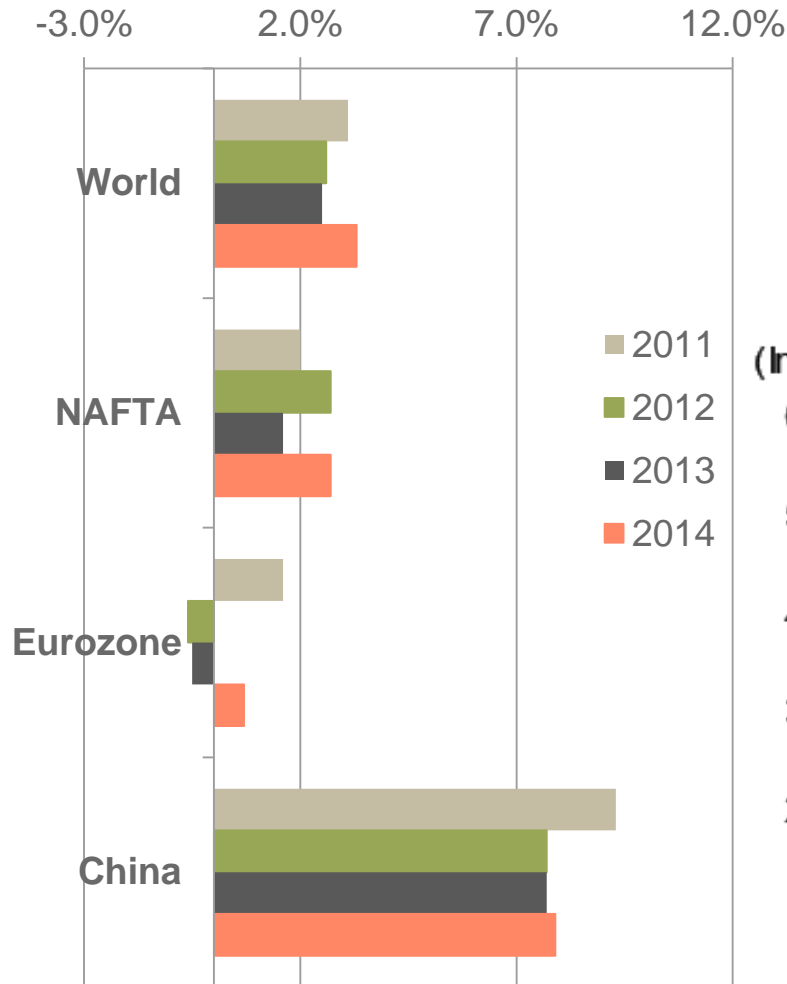
- Auto is strong
- Housing has rebounded but we expect housing to slow in 2014.
- IP growth rebounded to 10.1% in Q3'13, best quarter since Q1'12.
- China moves slowly away from investment-led growth towards consumption-driven model, leading to slower GDP growth next year.
- GDP growth 7.7% in 2013; 7.3% in 2014.
- Hebei province demolished 10 blast furnaces, 6.8m tons of capacity, in November.

Global GDP growth accelerates to 3.3% in 2014. Manufacturing expected to see stronger 2014.



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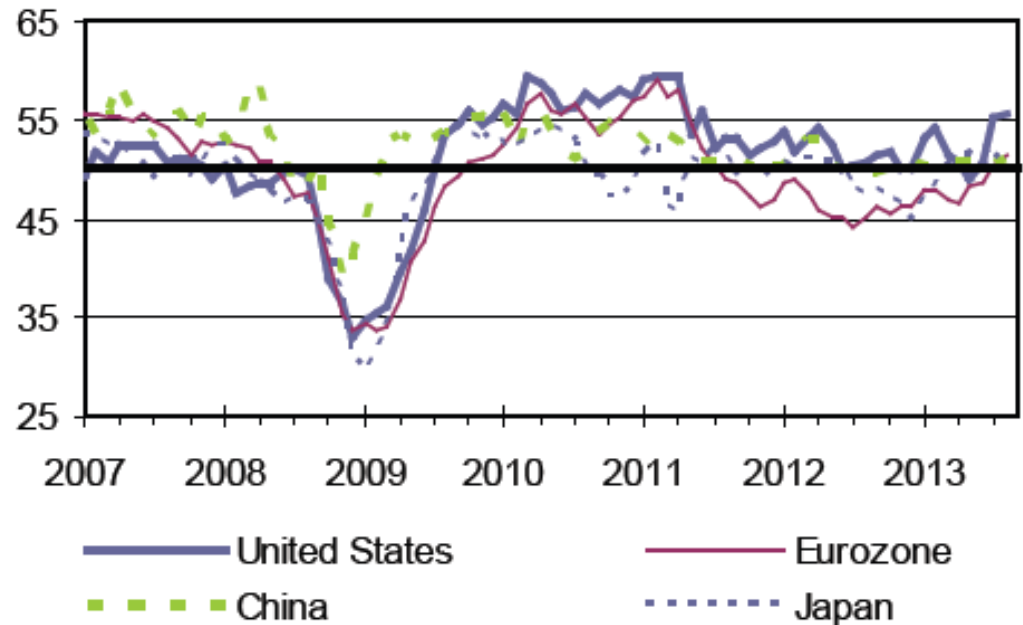
Global Baseline GDP Growth



- Global growth improves with better outlooks in developed countries. Eurozone economy looks to expand in 2014 following 2 years of contraction.
- China accepting of slower economic growth.
- PMI suggest slow manufacturing growth globally. Eurozone PMI finally enters expansion territory.
- Global industrial production forecast to grow by 1.9% in 2013 before improving to 4.2% in 2014.

Purchasing Managers' Index

(Index, over 50 indicates expansion)

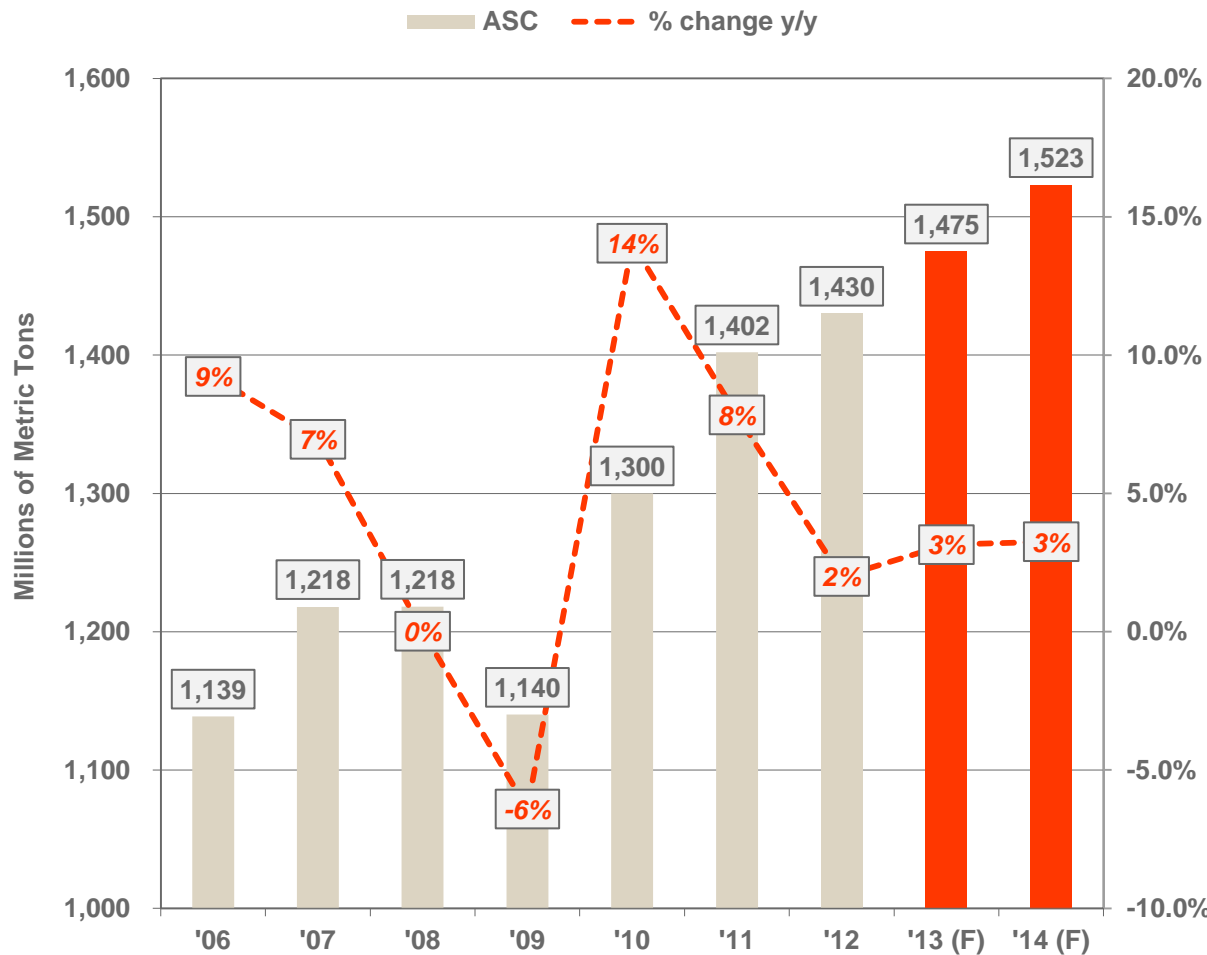


Source: IHS Global Insight Global Service, Sep 2013

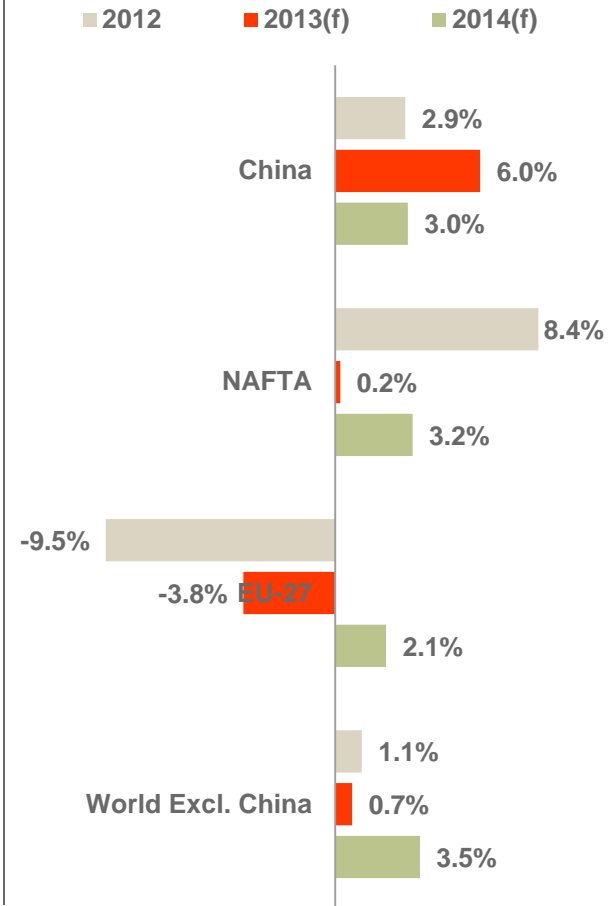
Global Apparent Steel Consumption: History & Forecast: World Steel Association



ArcelorMittal



Select Countries/Regions: WSA y/y Forecast



Global steel consumption is forecasted to gain 3% in 2013 and another 3% in 2014 topping 1,500 million MT. Global ASC growth continues to set yearly record levels.

Confidential

Steelmaking Raw Material Input Costs

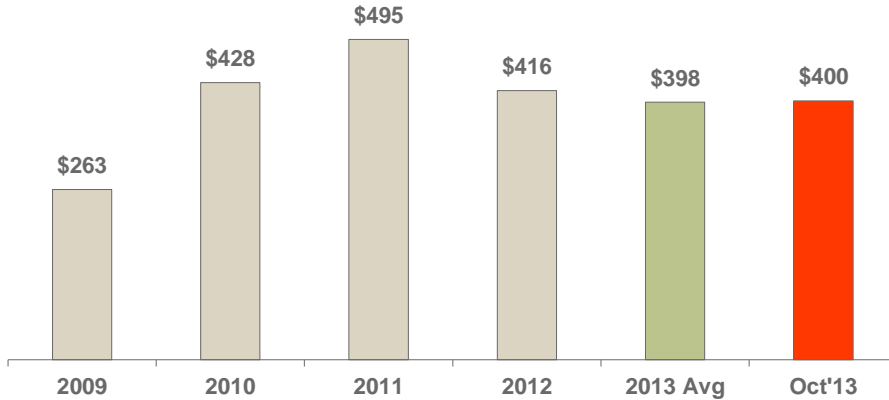
2009-2013 Averages and Oct 2013



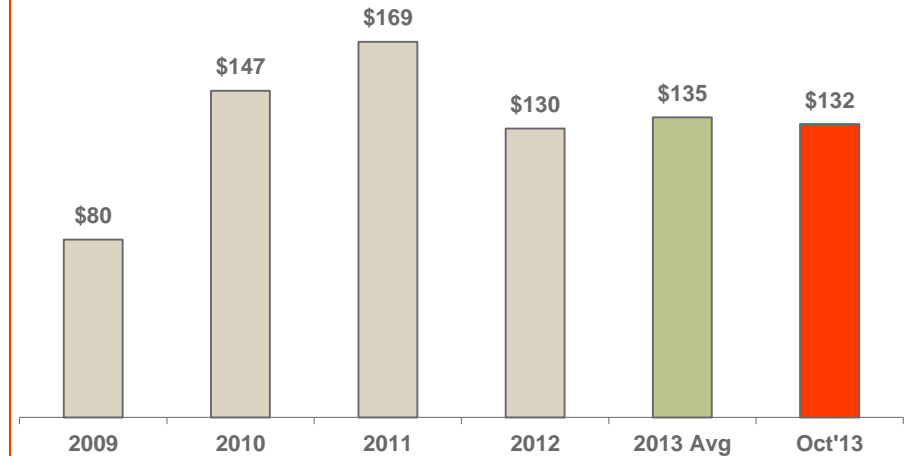
ArcelorMittal

All charts in \$ per metric ton except for Scrap

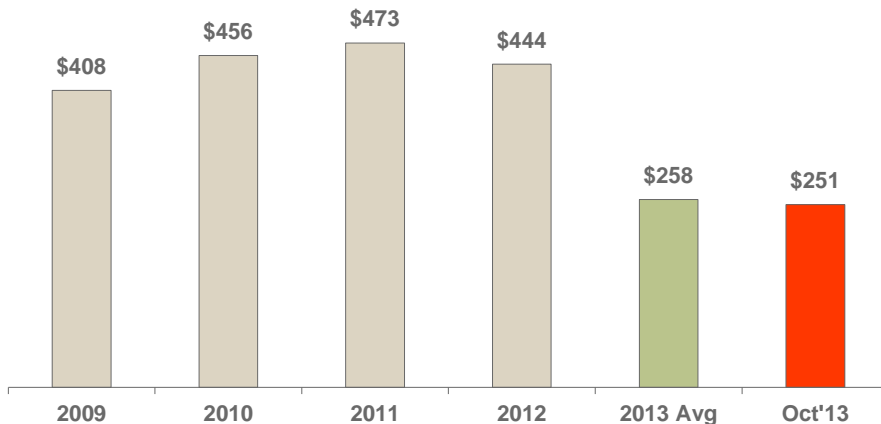
#1 Busheling Chicago Scrap AMM (\$/gross ton)



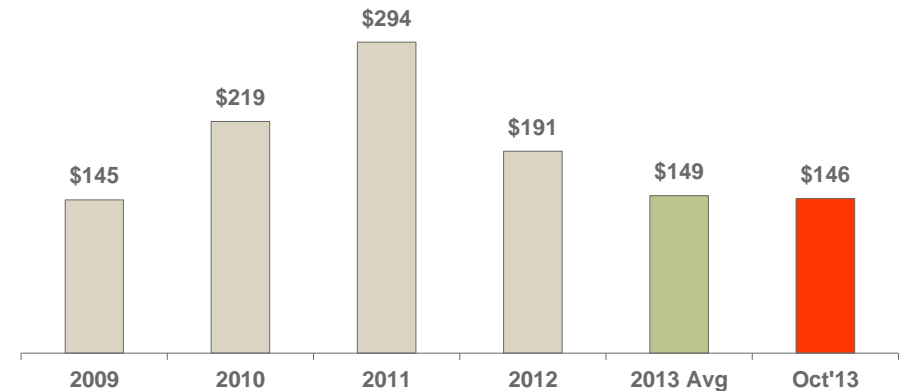
Platts IODEX 62%CFR China



Metallurgical Coke SBB/Platts



Australian Hard Coking Coal CRU/SBB



* 2009-Jun2012 average = SBB, Jul2012 average-current = Platts



Risks

- Government Regulation
 - Healthcare
 - Energy
 - CAFÉ
- Fiscal Showdowns
- Pace of improvement in Europe and China



Summary

- Uncertainty continues to drag on economy as short-term budget fix only diverts the next crisis until January 15 when the federal government funding ends and February 7th when the debt ceiling suspension ends.
- Assuming no major economic shock, the US economy continues to grow at a very slow pace but construction recovery and improving labor market favors stronger growth in 2014.
- While the pace of growth has slowed, U.S. manufacturing nears pre-crisis levels and future outlook improves with continued investment.
- North American automotive market continues to do well with US auto sales nearing 16M units in 2014, the highest since 2007.
- Improving construction market will also boost growth in various flat roll markets such as appliance, HVAC, non-energy pipe & tube, and construction equipment. Service centers should begin to see benefit in shipment levels.
- Important upcoming trade cases will need to be monitored for impact on market – HR, OCTG.



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Questions?

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