



ArcelorMittal

Steel Industry Outlook Georgia State University

May 2009



Agenda

- Company Profile
- Market Indicators
- Steel consuming markets
- Risks
- Summary



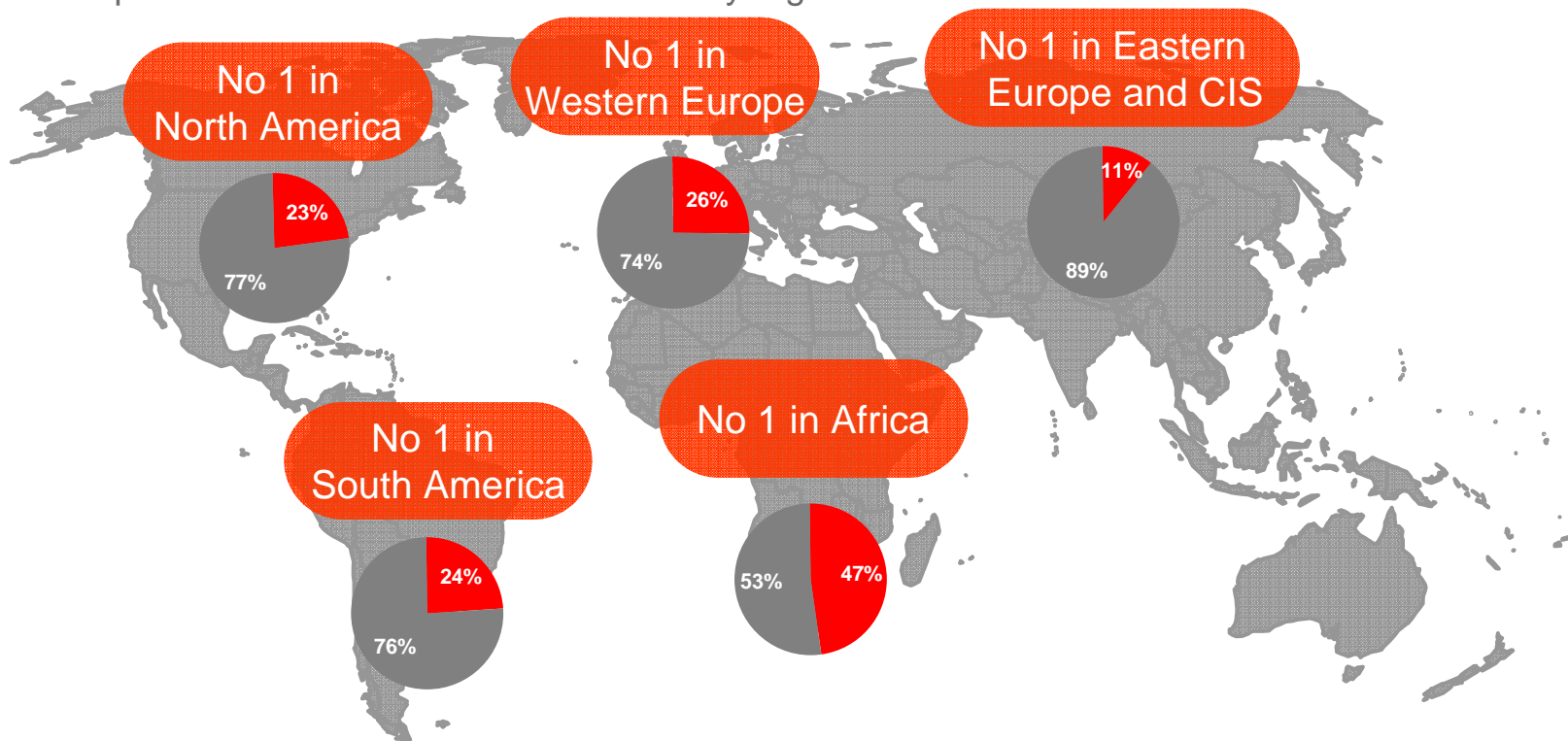
The world's number one steel company

- The largest steel company in the world
- 320,000 employees
- Operations in more than 60 countries
- Manufacturing facilities in 20 countries
- 2008 revenue of almost \$125 billion
- 1500 scientists and 14 research centers in Europe and the Americas
- Products include
 - Flat rolled steel
 - Bars and Structurals
 - Plate
 - Stainless steel
 - Electrical steels
 - Pipe and tube
- Our Vision: **“To be the World’s Most Admired Steel Company”**
- Our Slogan: **“Transforming Tomorrow”**.

Leading position in the most attractive markets

A global steel production of 116 million tonnes (2007)

Market position and market share estimates by region*



Number 1 in 5 regions and 4 continents



North American Operations

- The largest steel company in North America
- 20,000 employees in USA
- North American legacy companies include:
 - Bethlehem Steel
 - LTV Steel
 - Inland Steel
 - Acme Steel
 - Weirton Steel
 - Dofasco, Canada



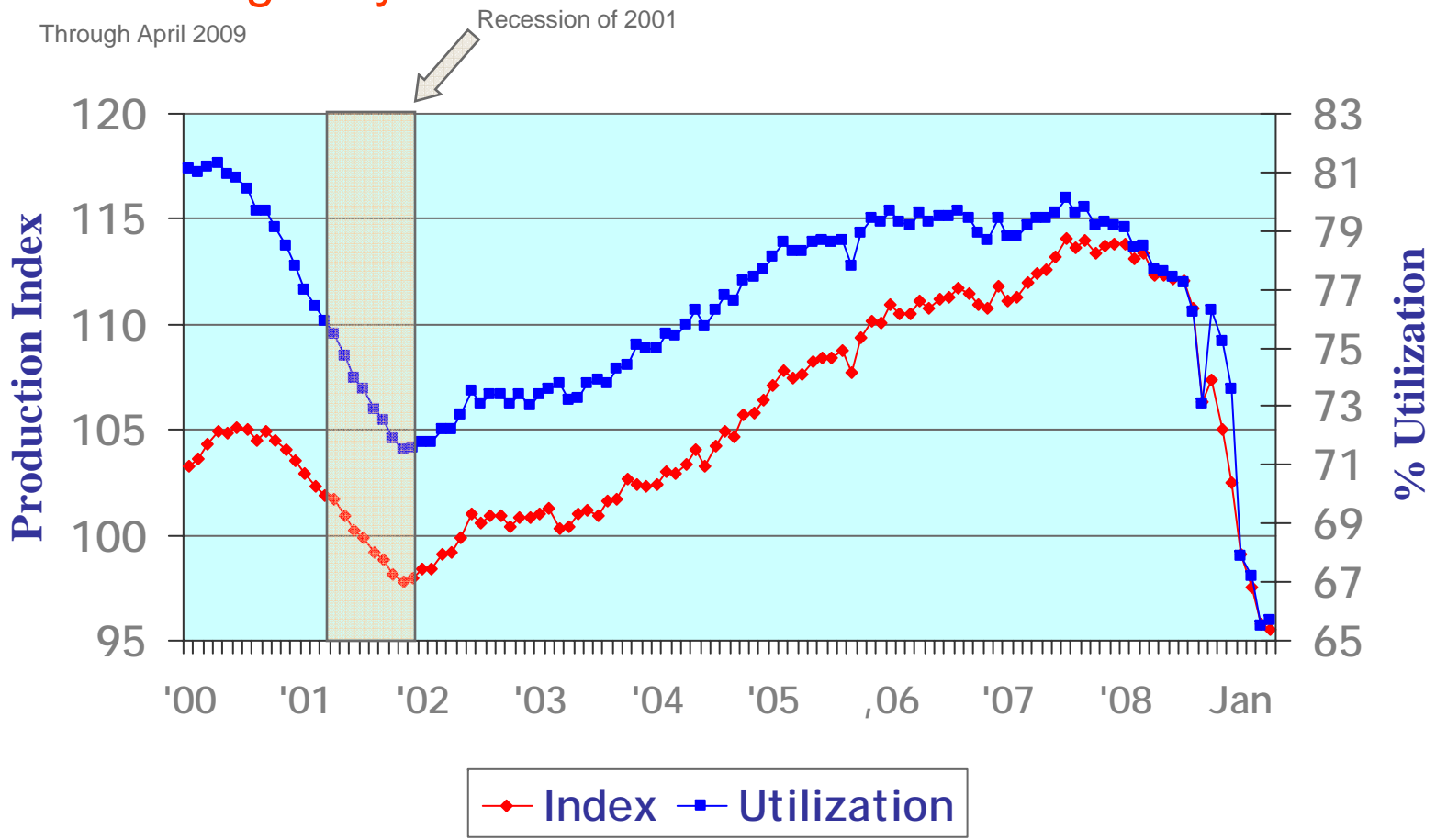
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Steel Market Outlook





Industrial Production Manufacturing Only

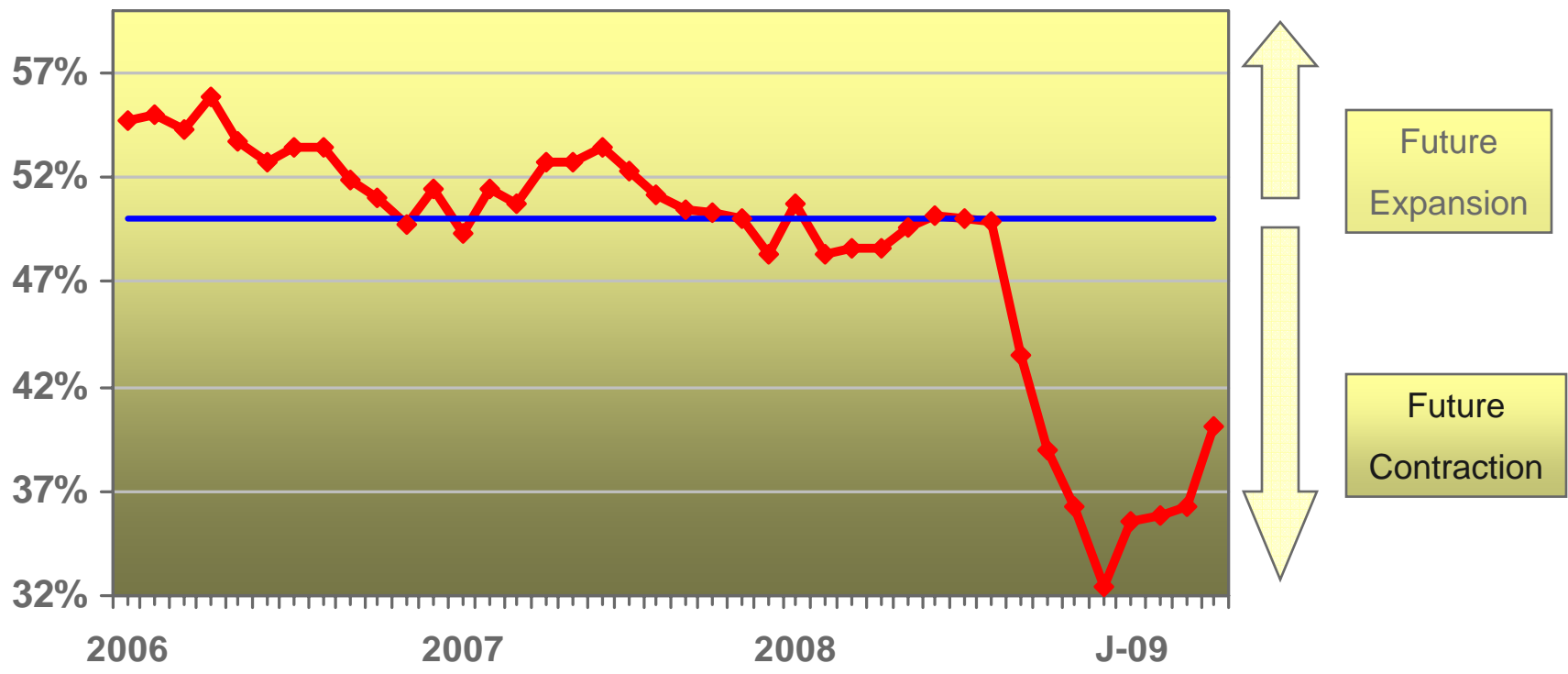


U.S. manufacturing activity fell precipitously beginning in late 3Q'08.

Manufacturing Production Index and Capacity Utilization - U.S. Federal Reserve

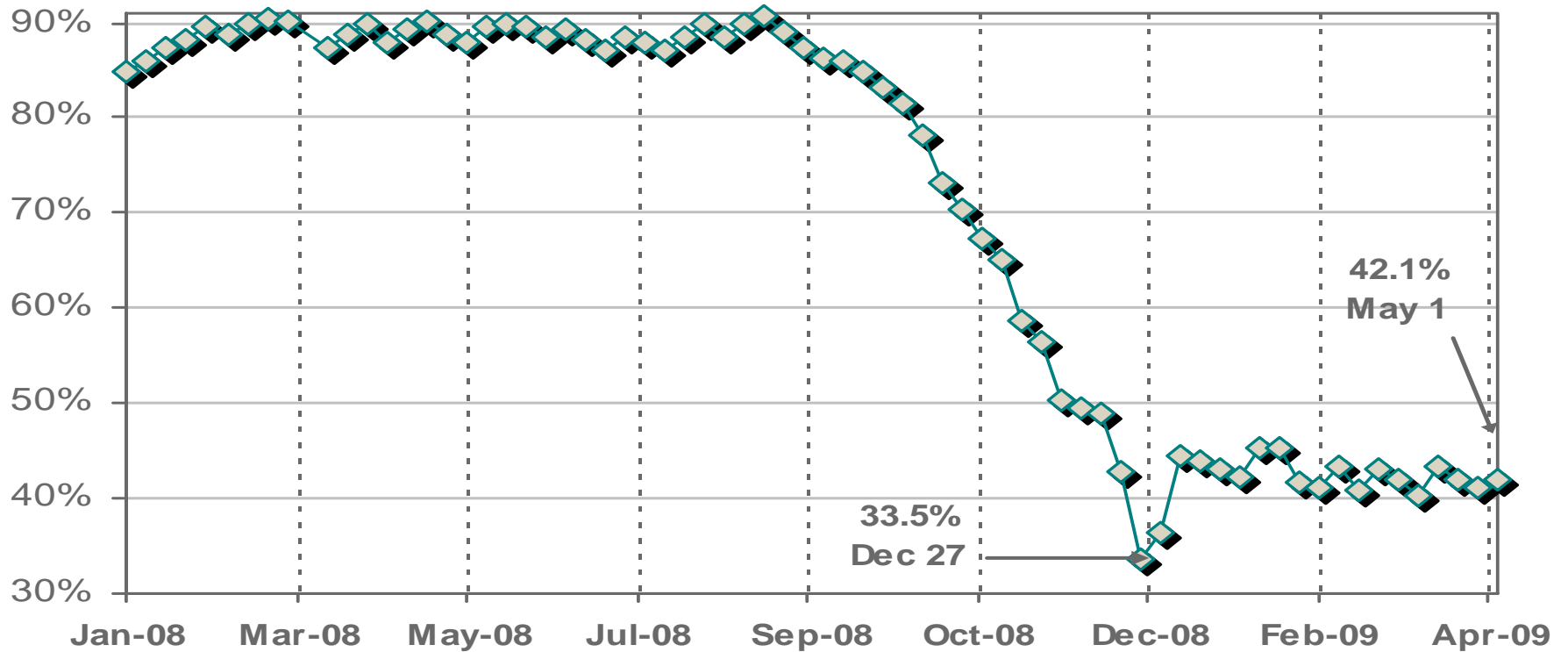


ISM Manufacturing Index 2006 through April 2009



Manufacturing index drops to 32.4% in November. Recession zone of ISM is 40-45%. The New Orders component of the index is the lowest since 1948. This index is usually predictive of manufacturing activity across the next ~6 months.

Weekly US Raw Steel Production Capacity Utilization (Capacity reduction as demand falls)



Source: American Iron & Steel Institute



Raw Steel Production 2008 and 2009

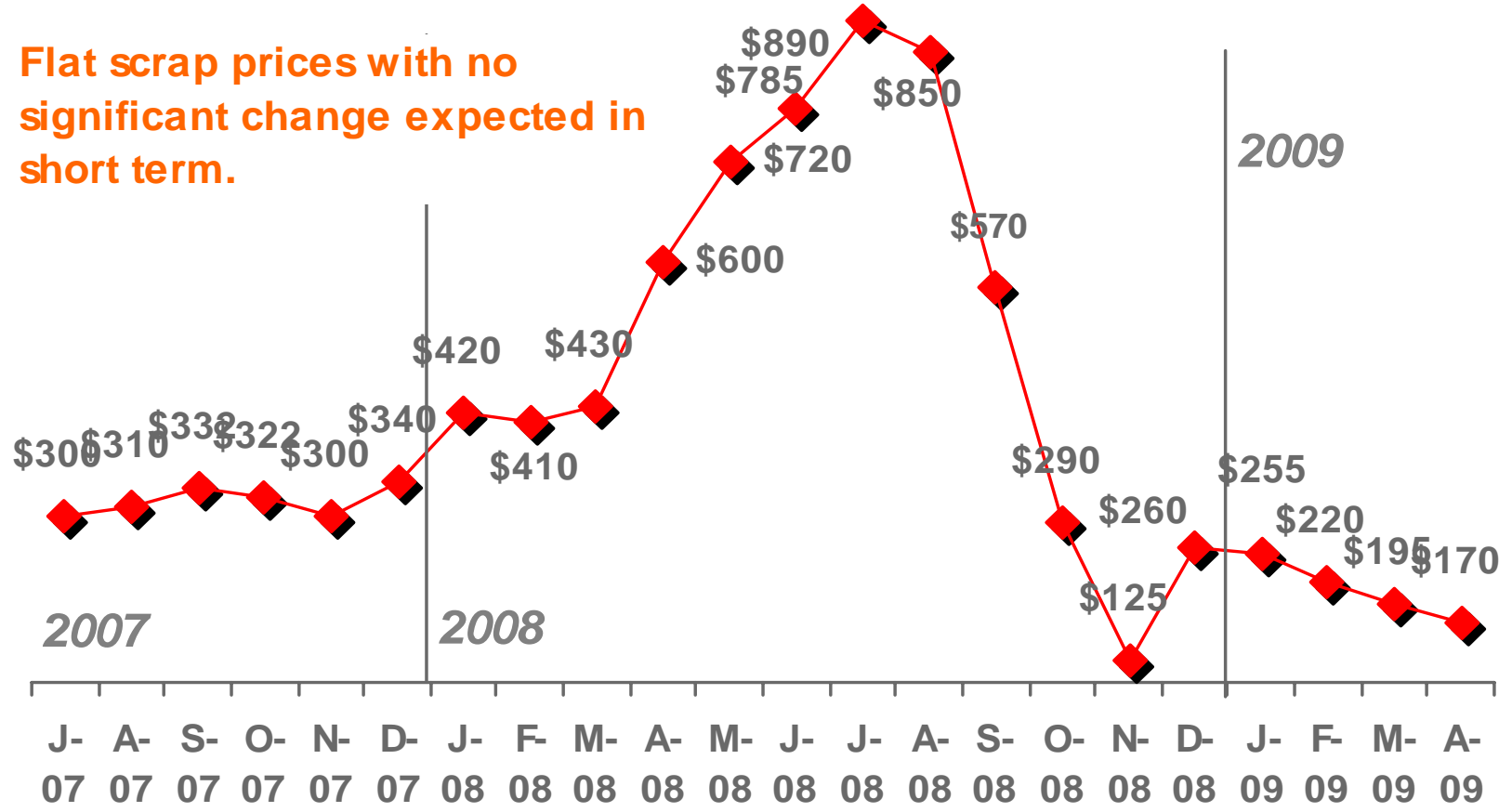
- 1st Quarter: 27.5m tons, 2.1m tons / wk
- 2nd Quarter: 27.6m tons 2.1m tons / wk
- 3rd Quarter: 27.2m tons 2.0m tons / wk
- 4th Quarter: 18.5m tons 1.5m tons / wk
- 1st Quarter 2009: 13.6m tons 1.03m tons / wk

Source: American Iron and Steel Institute



Scrap

Flat scrap prices with no significant change expected in short term.

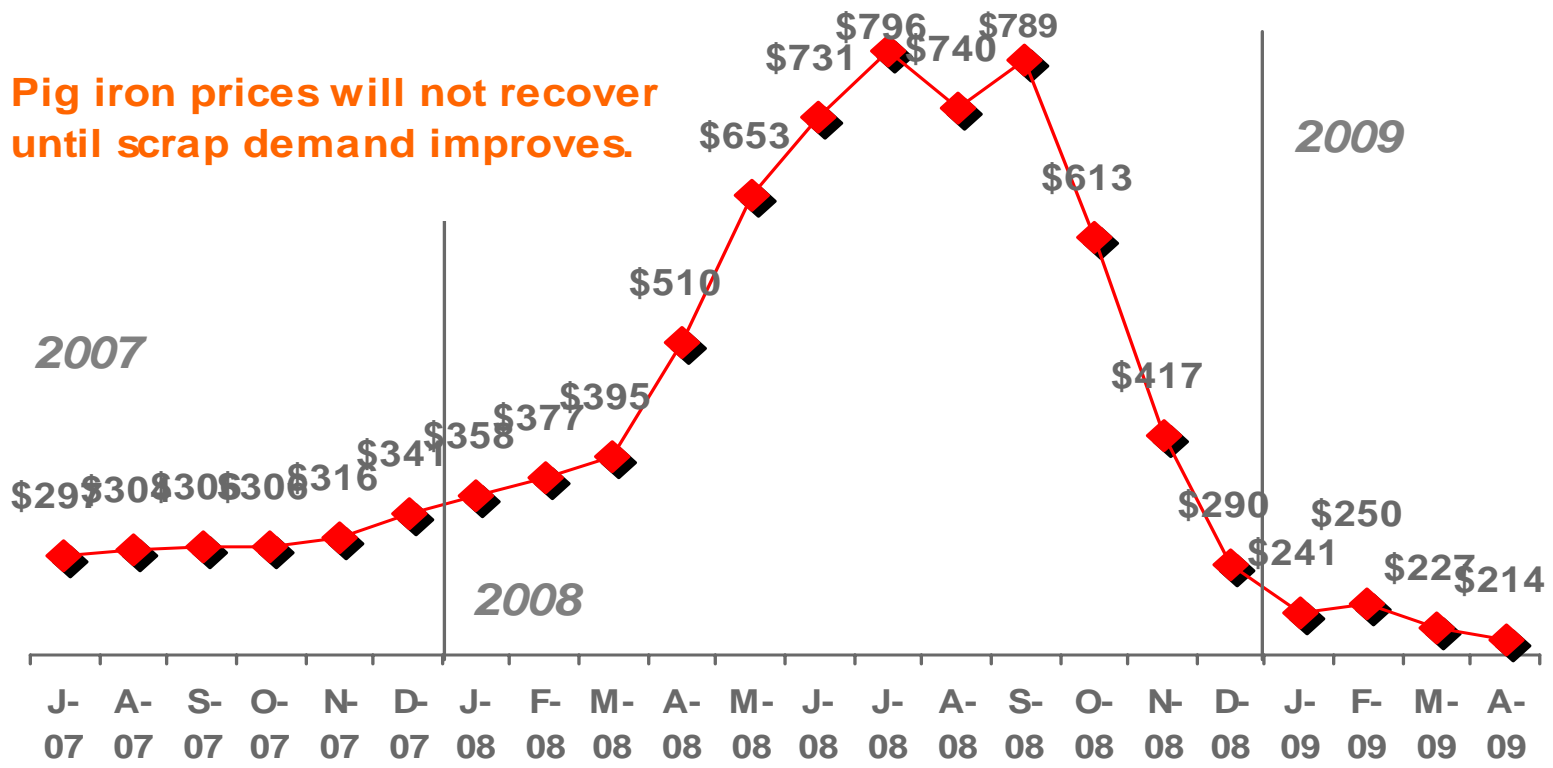


Source: American Metal Market



Pig Iron

Pig iron prices will not recover until scrap demand improves.



Source: American Metal Market

In 2008 Steel Markets Outperformed the Overall Economy



- **Weakening Markets**
- Non-residential construction
- Energy (line pipe, OCTG)
- Machinery
- Mining
- Farming
- Infrastructure (highways, roads, bridges)
- Exports
- **Weak Markets**
- Auto
- Banking and Financial
- Residential Housing

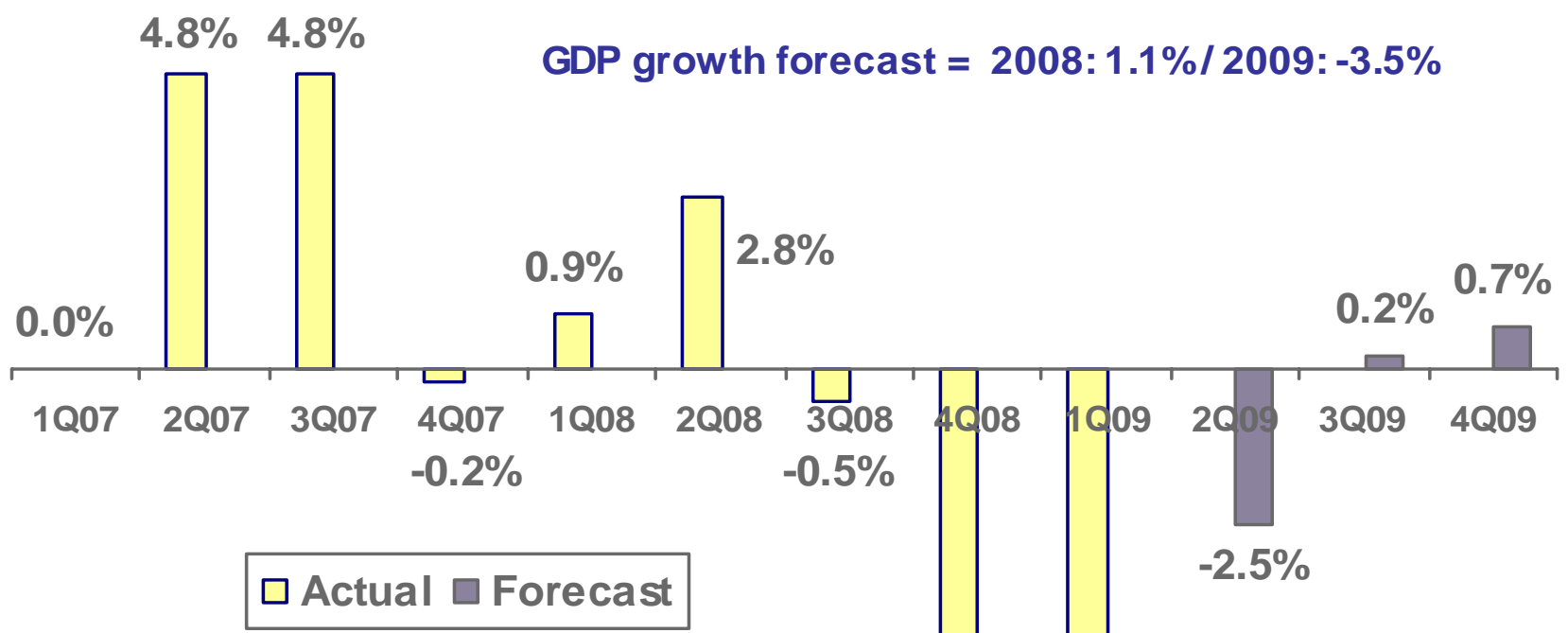


Idled capacity

- 33 Blast Furnaces in the U.S. and Canada
- 20 are idled



U.S. GDP Forecast

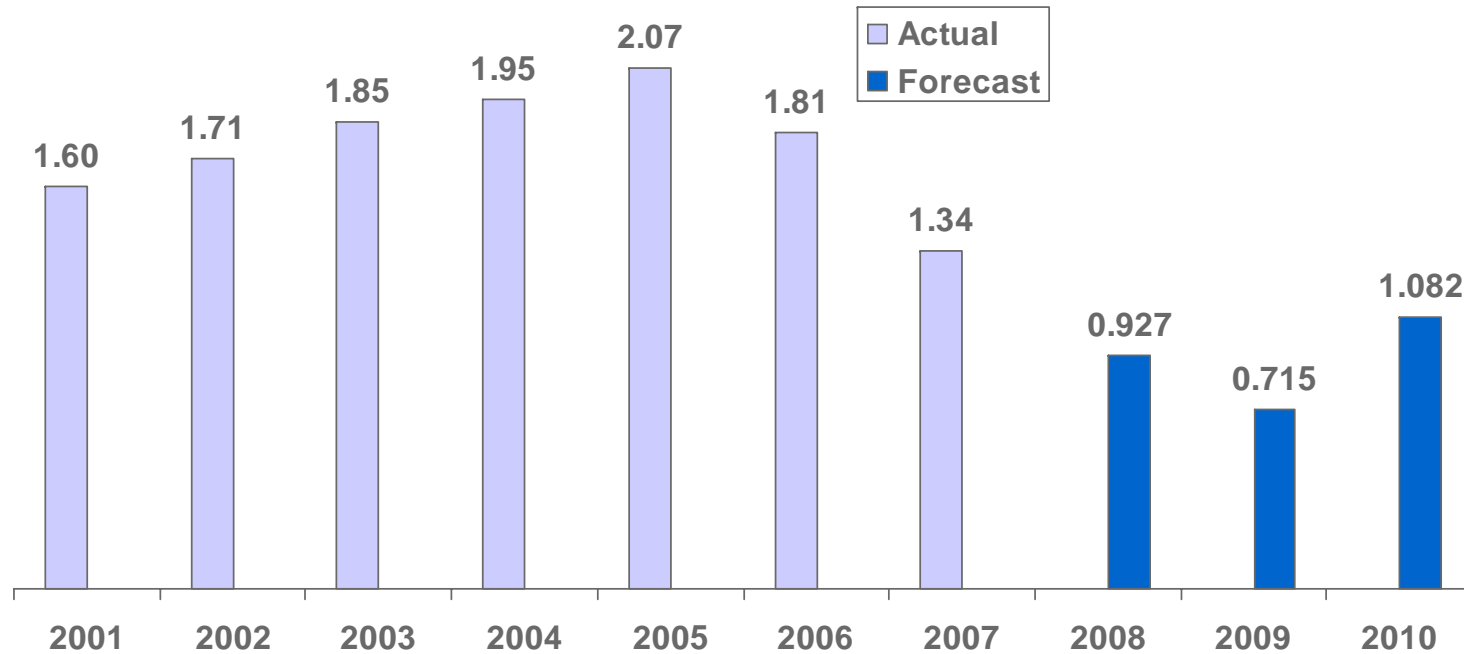


Source: Global Insight



Housing Starts

Millions of units



October 2008 (Nov. 19 release) has the following SAAR:

1. Housing Starts at 791,000
2. Building Permits at 708,000

Source: Global Insight

Forecast has housing market hitting bottom in 2Q09 . Regardless of when the bottom hits, a very slow recovery will proceed.

Investment - USA Fixed Non-Residential and Residential (% change in \$)



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Source: Global Insight, May 2009

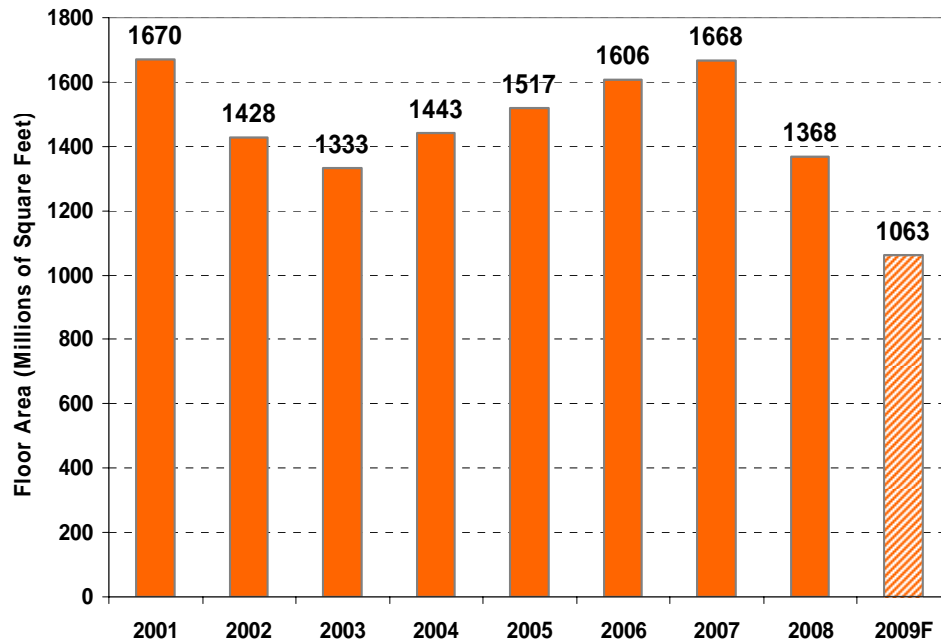
Residential investment (housing, remodeling, etc) is having another very tough year while non-residential investment (plants, equipment, computers, etc) began to decline in 2009 after 6 years of strong growth.

Non-Residential Construction Demand

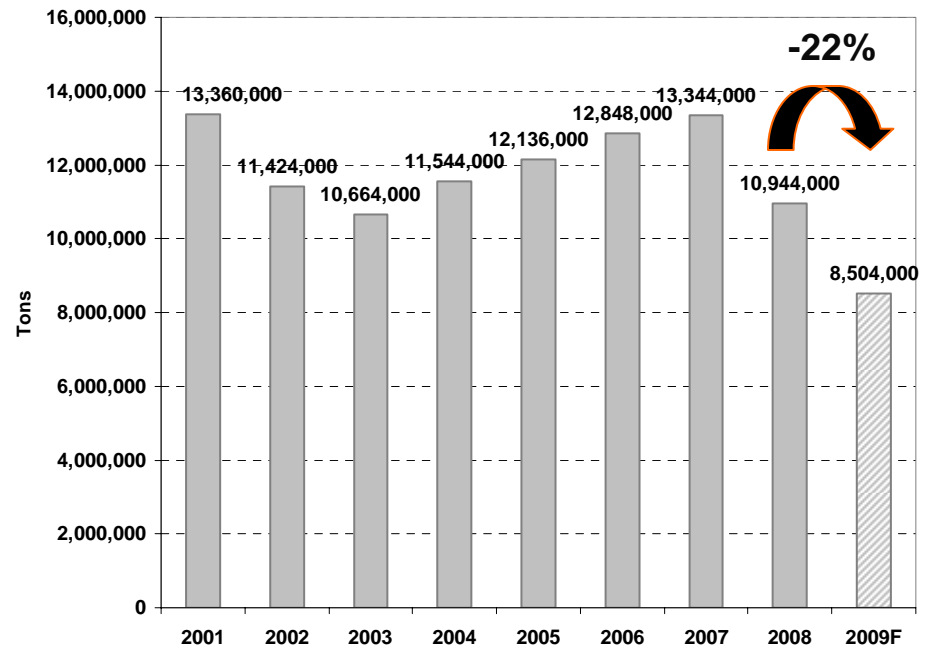
Non Residential Steel Consumption



US Non-Residential Building - Floor Area (Millions of Square Feet)



Estimated Non-Residential Building Steel Consumption (in Tons)



Assumptions:

- Actual data for square footage per McGraw-Hill Spring 2009 Outlook.
- Steel consumption based on average steel weight developed by ArcelorMittal USA.
- Degree of accuracy for model is unknown, for estimation purposes only.

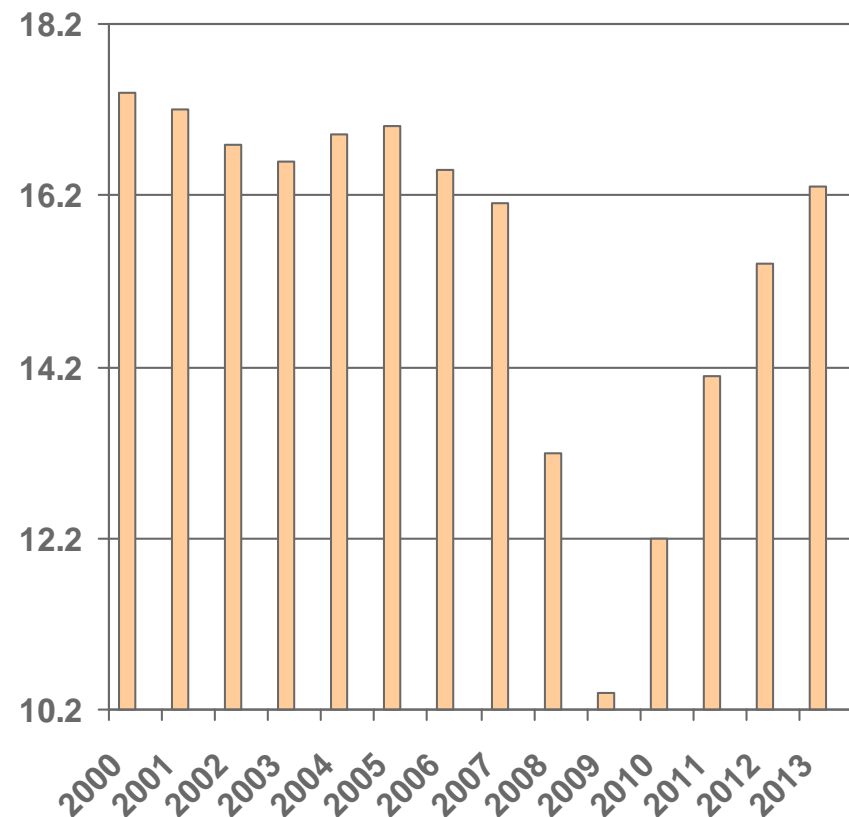
Automotive Sales



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- In 2009 the auto market will continue to buck serious headwinds. Cyclical downturn, economic uncertainty, and structural changes contribute to depressed sales outlook.
- High gas prices in 2008 started to change the vehicle mix that consumers want. Auto companies did not respond fast enough to the change. Small cars gained market share and demand for large trucks and SUVs has not come back.
- Tightness in consumer credit is now cutting off sales.
- Residual values for gas guzzlers is low. Consumers are choosing to delay purchase decisions.
- The continuing slump in housing is depressing pickup truck sales.
- 2008 4th quarter sales rate (10.3 million units) was below the replacement rate (about 13 million units/yr).
- With severe sales declines from 2008 to 2010 pent up demand offers some upside potential in the next decade.

USA Sales
(millions of units)



Source: JD Power & Associates

Last update: March 2009



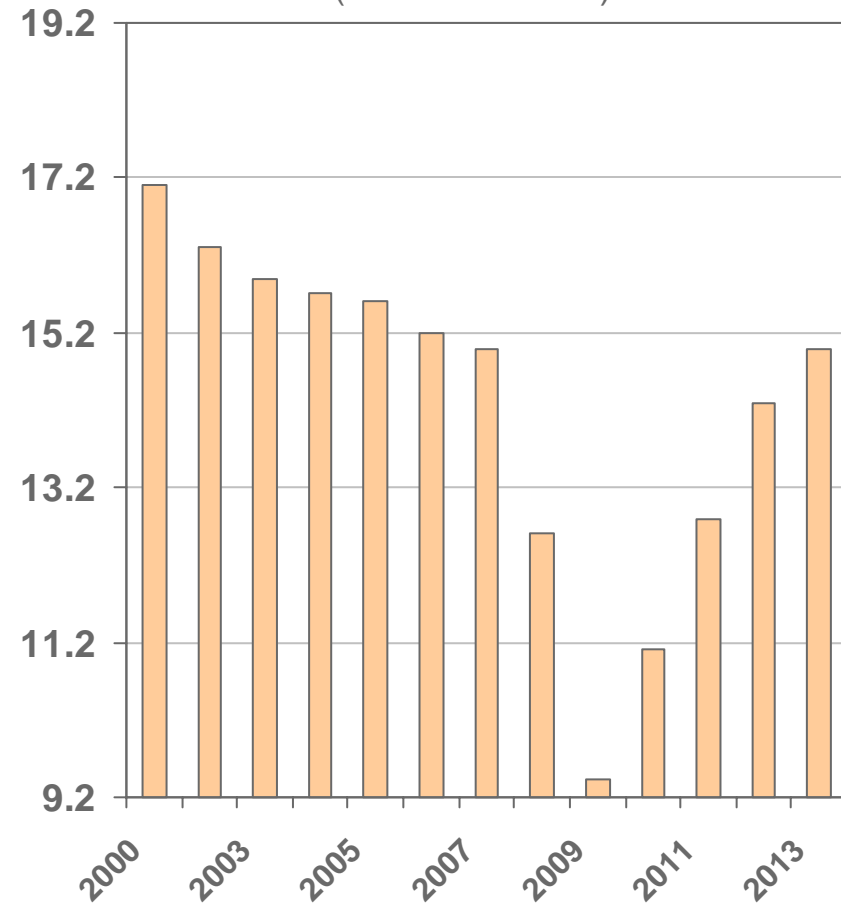
Automotive Production

- 2009 forecast is the lowest production total since the early 1980's.
- We will see production cuts by all manufacturers and nearly all segments. Detroit 3 will be 1.7 million units lower in 2009 vs 2008. Honda, Toyota, and Nissan will be 260,000 units lower in 2009 vs 2008.
- Detroit 3 to account for 54% of production in 2009, down from 63% in 2007 & 58% in 2008.
- Pass car will account for 53% of production.
- Total imports dropped in 2008, 4.2 million, but gain in share, 33% vs 30%, vs 2007. Imports will gain marginal share in 2009, due to mix change from trucks to cars.
- No inventory rebuild in 2009. OEMs remain vigilant.
- Toyota Woodstock and Honda Greensburg ramp up in 2009. Hyundai, Georgia, starts in late 2009.

5/20/2009

Confidential

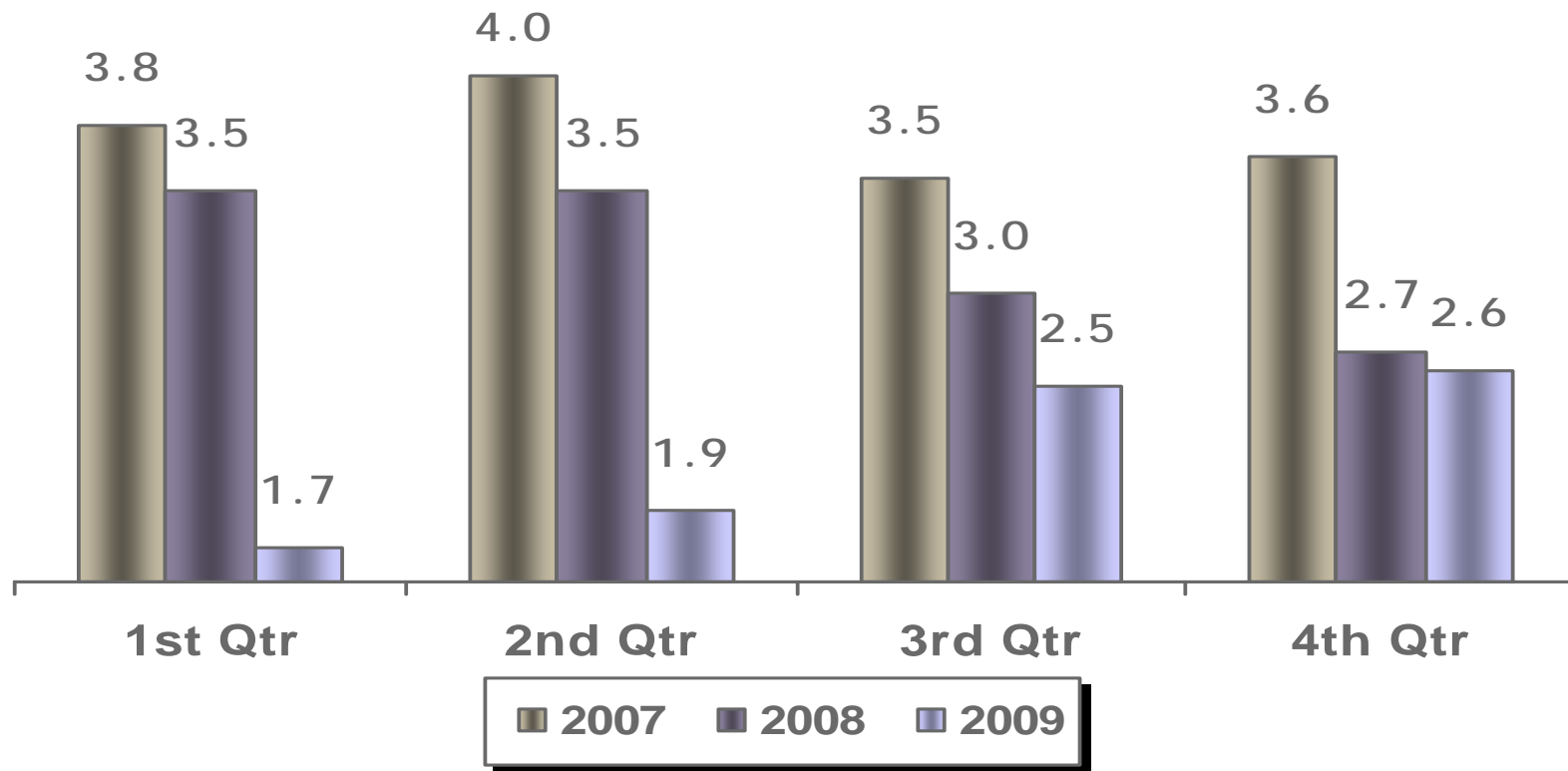
NA production
(millions of units)



Source: JD Power & Associates



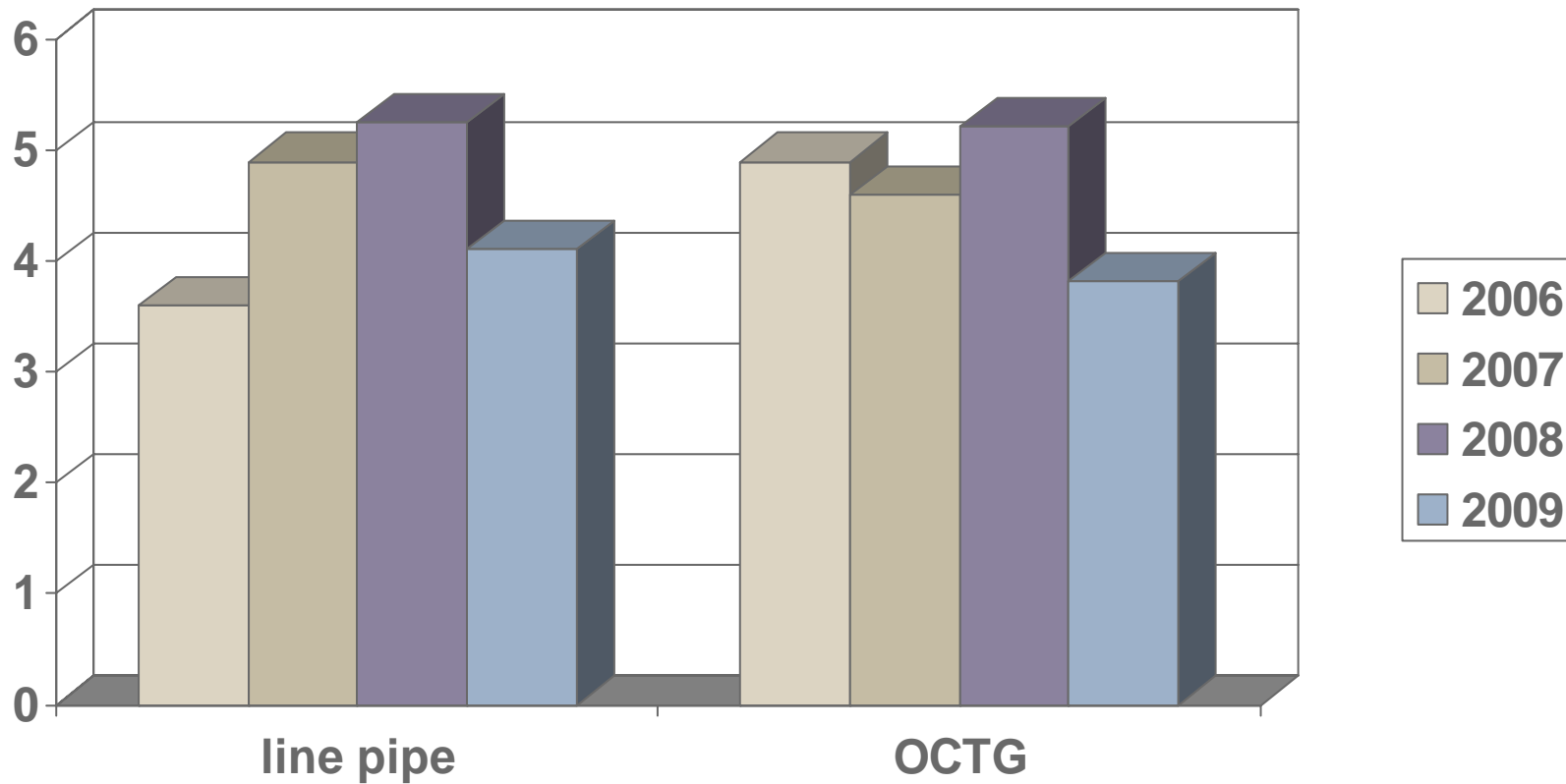
NAFTA Auto Production



Source: J.D. Power & Associates



USA Energy Market Steel Demand million of tons



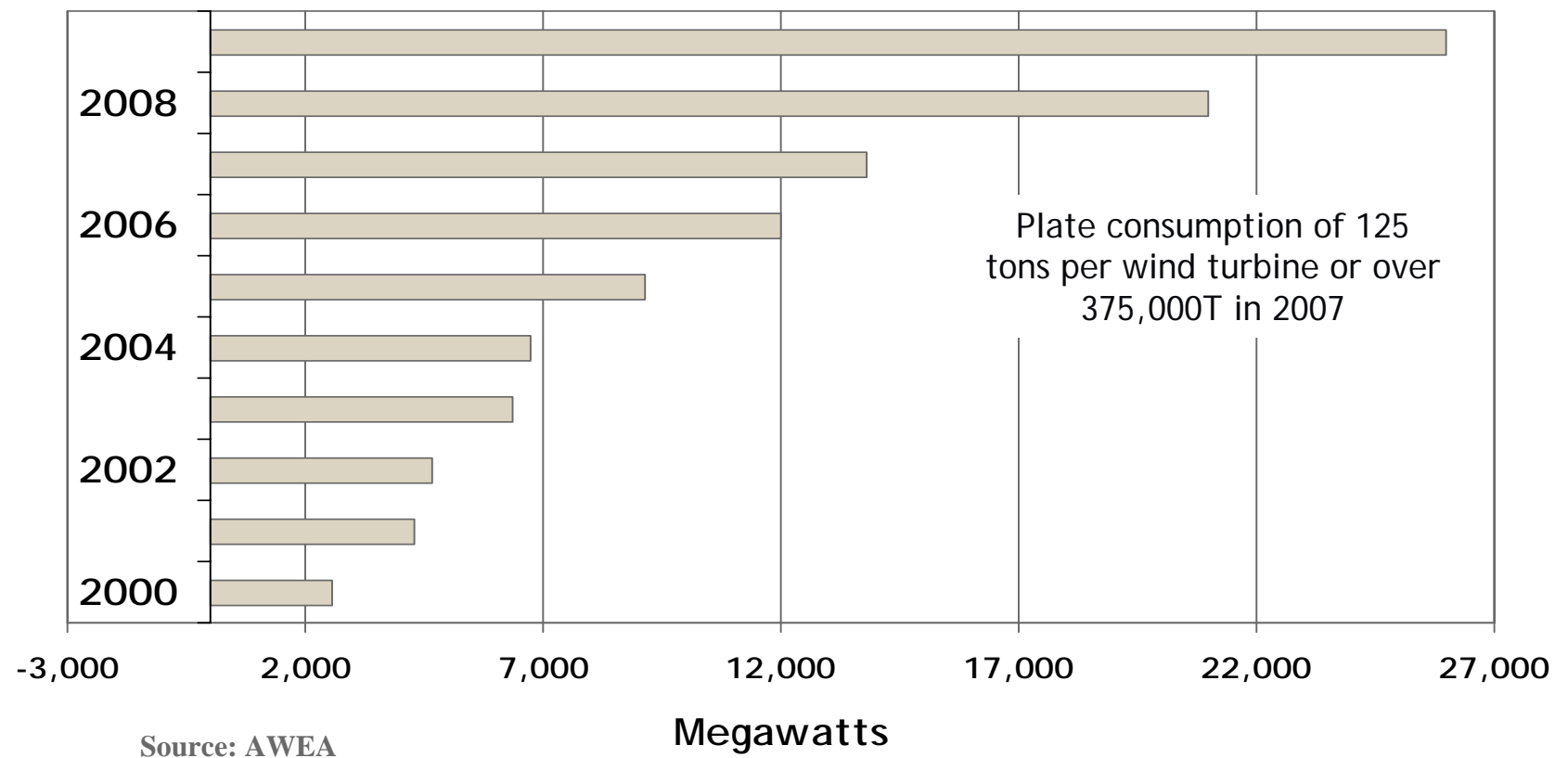
Source: Preston Pipe & Tube Report



Wind Power

U.S. Installed Capacity

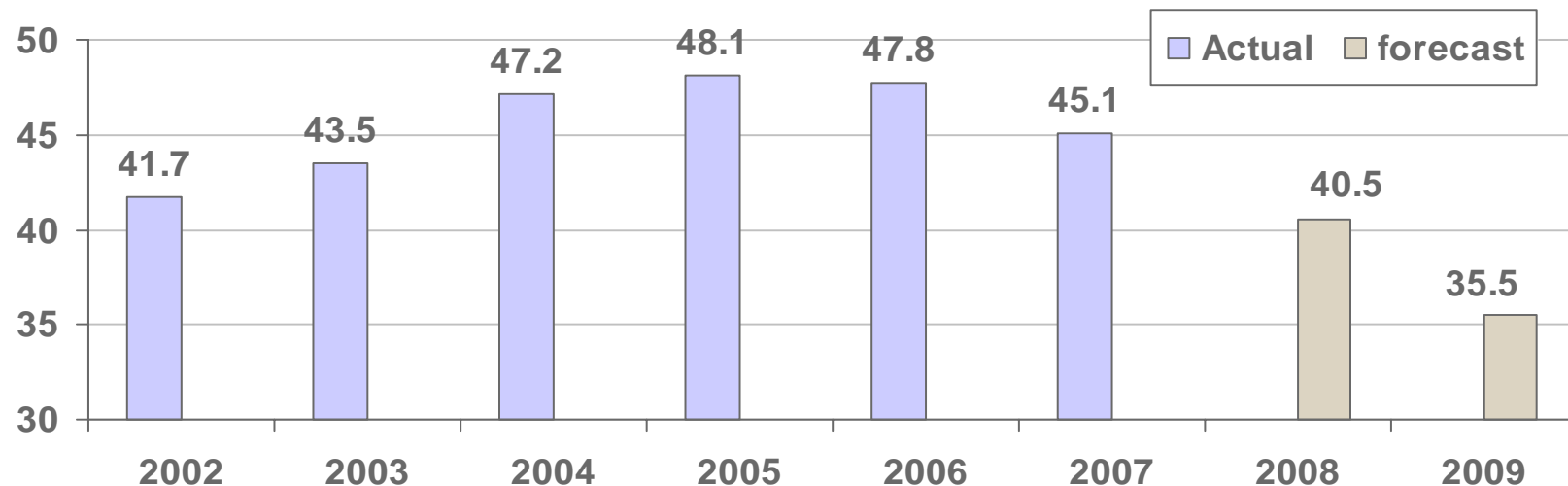
5,000 MW new capacity expected in 2009



Appliance Market

USA Core Appliance Shipments*

Millions of Units



Source: AHAM, ArcelorMittal forecast

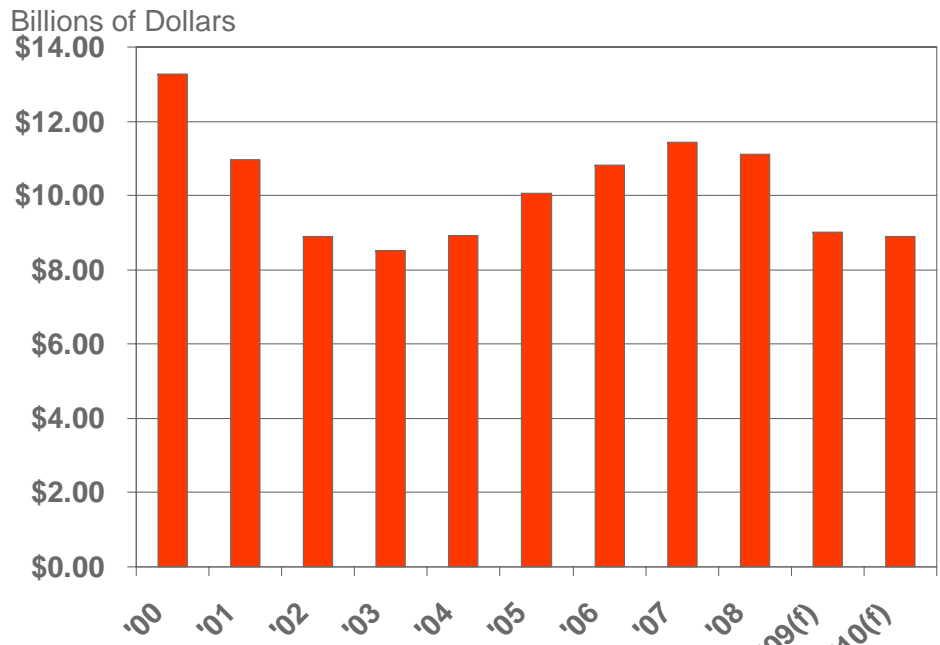
Appliance sales are hurt by the housing market but replacement market keeps appliance sales running above housing drop. Jan-Aug '08 sales are off 8% compared to housing starts being off by 31% over the same period.

A further reduction in housing starts in 2009 will impact sales. Replacement market will be weaker than normal due to poor economic conditions.

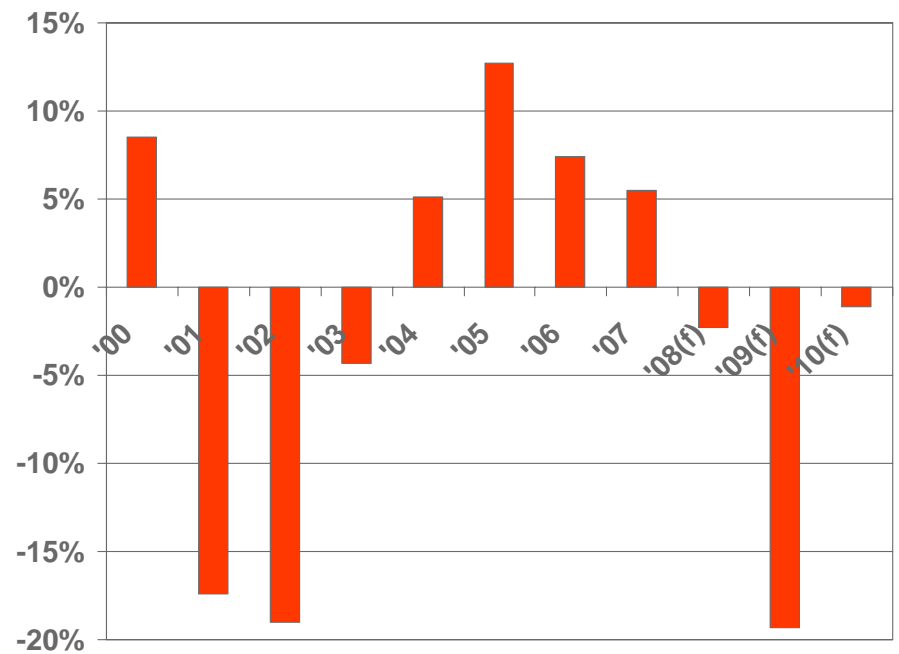


Office Furniture Production

US Production of Office Furniture



Change in Production \$ (y-o-y %)



Following 4 years of growth, the value of U.S. office furniture production is dropping in 2008 and 2009 (along with consumption). Imports constitute approximately 15-20% of the market.

Source: BIFMA History and Forecast

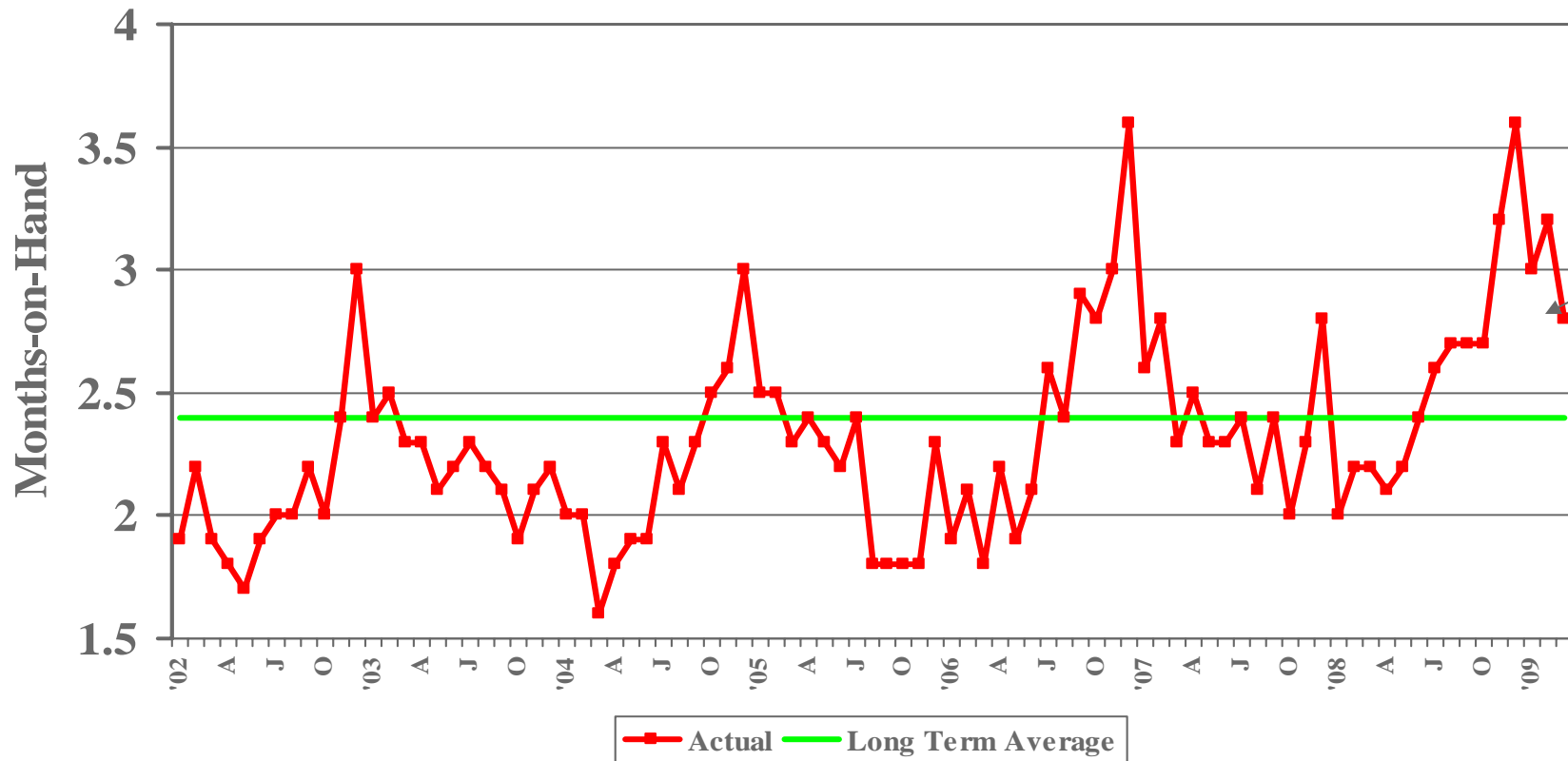
U. S. Steel Service Center Number of Months Shipments on Hand

Based on a representative sample of the U.S. Service Center Industry

Carbon Flat Rolled



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Source: MSCI



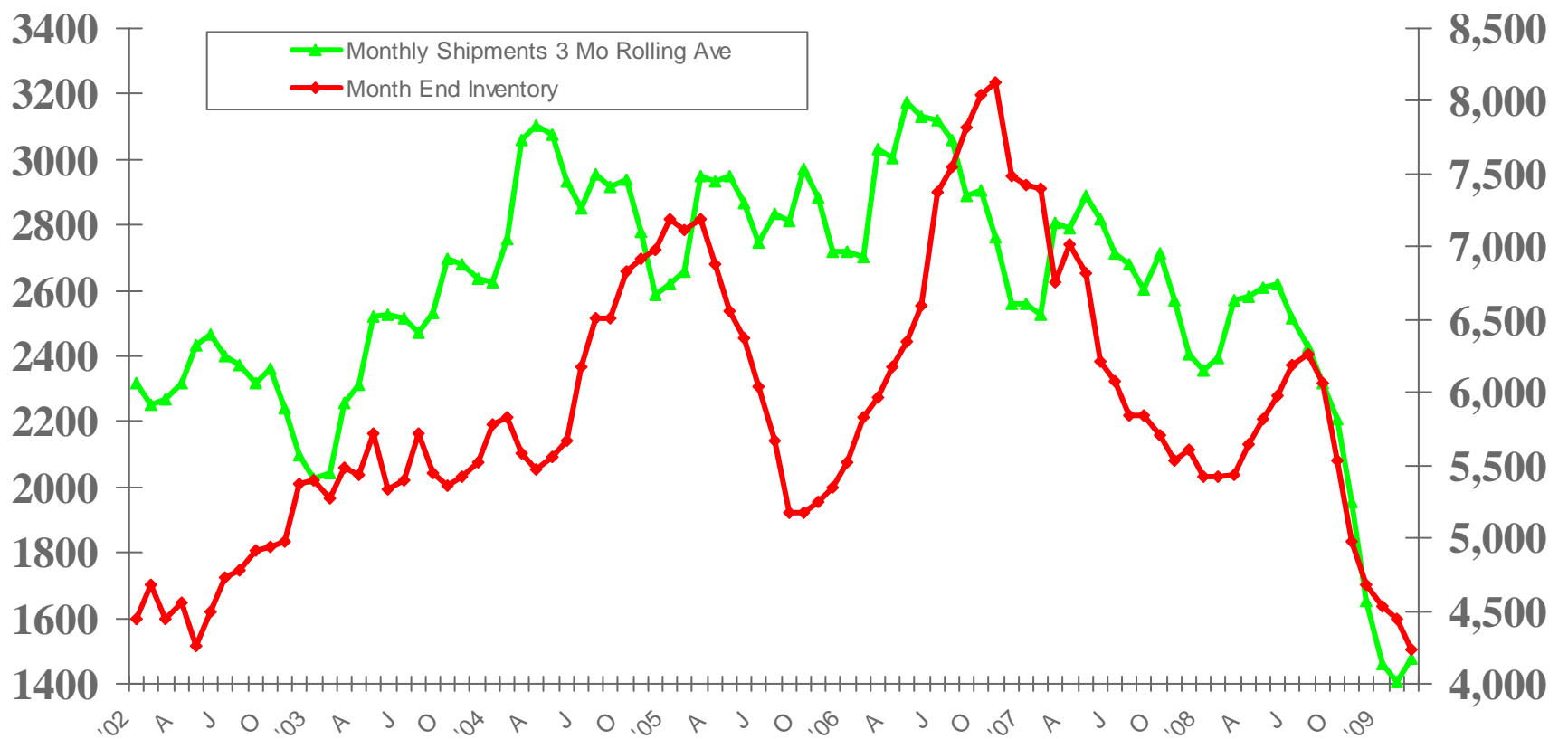
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U. S. Steel Service Center Total Shipments & Inventories Carbon Flat Rolled

Based on a representative sample of the U.S. Service Center Industry

Monthly Shipments ,000 Tons

Ending Inventory ,000 Tons



5/20/2009

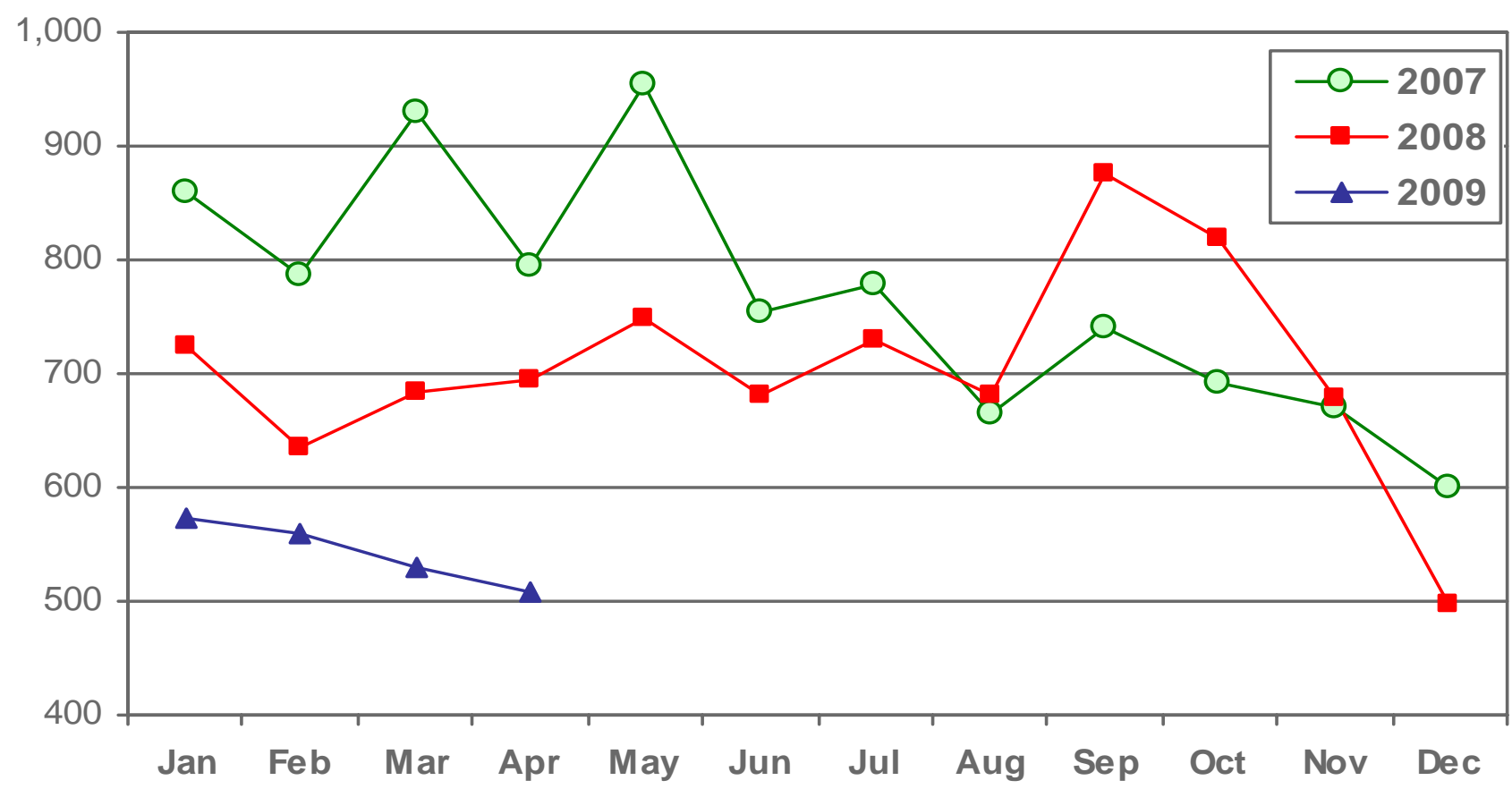
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Source: MSCI



Flat Roll Monthly Imports



Source: DOC
5/20/2009

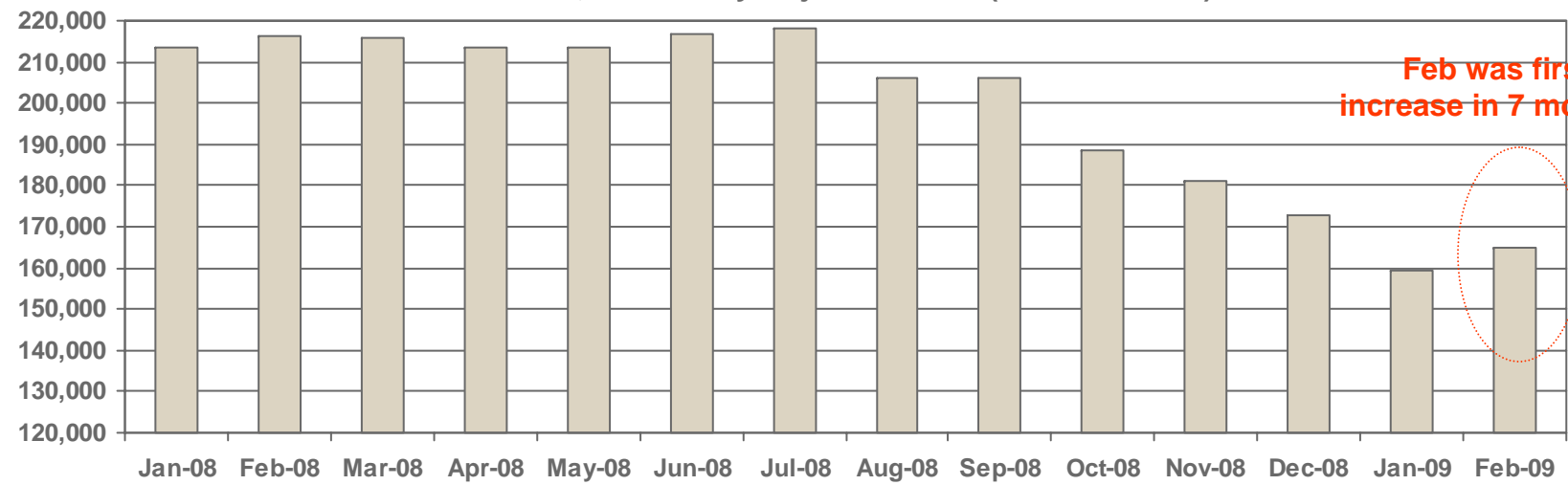
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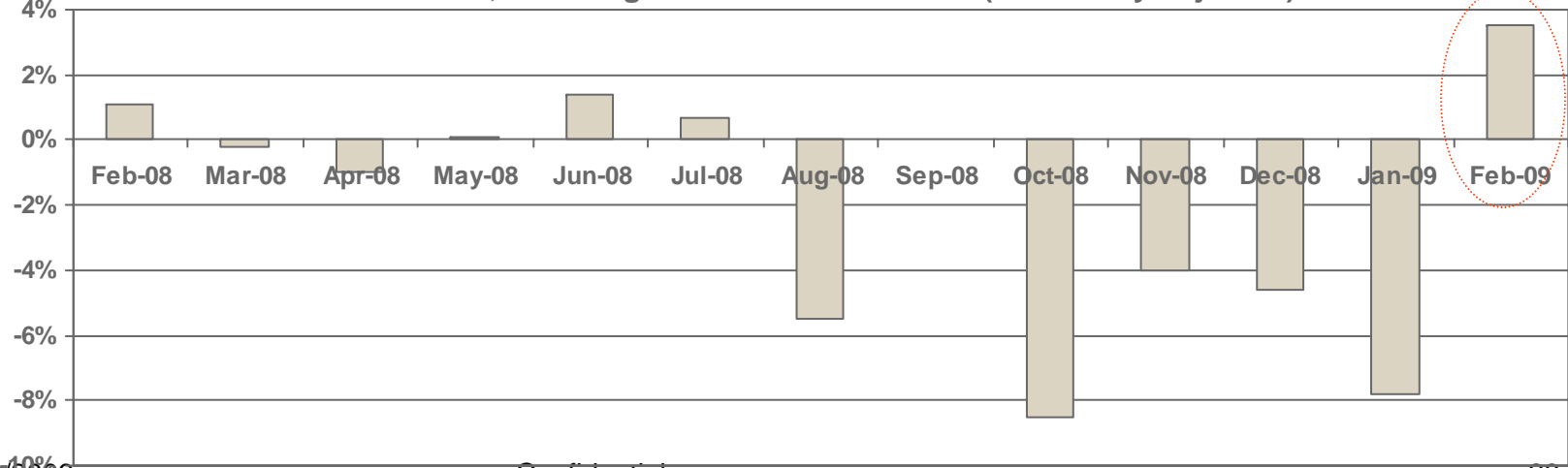
New Orders for Manufactured Durable Goods

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New Orders, Seasonally Adjusted Value (in Millions of \$)



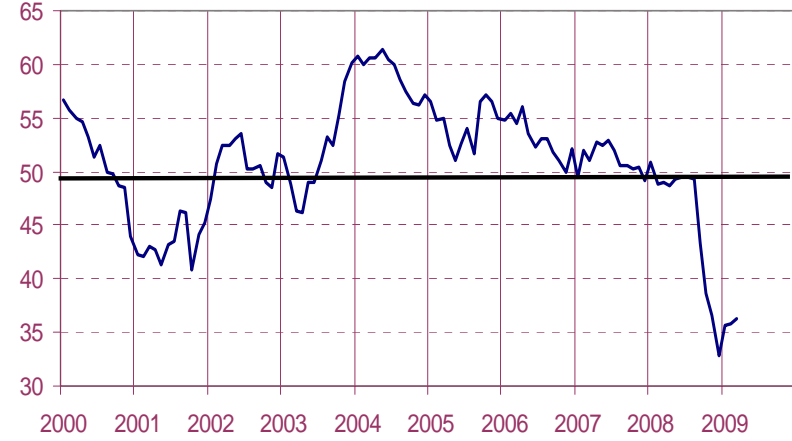
New Orders, % Change from Previous Month (seasonally adjusted)



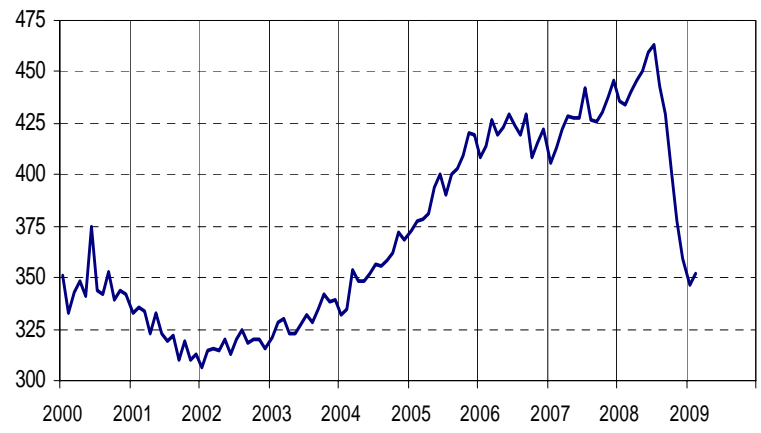


USA – leading indicators bottoming out (1/2)

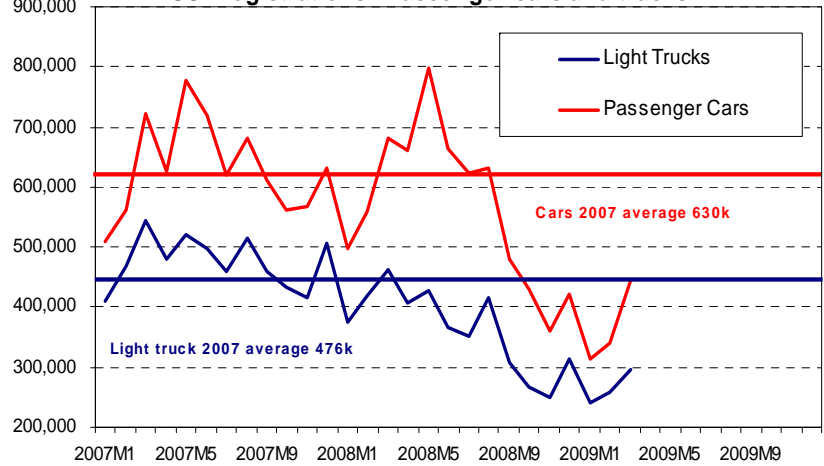
US Purchasing Managers Survey (Headline)



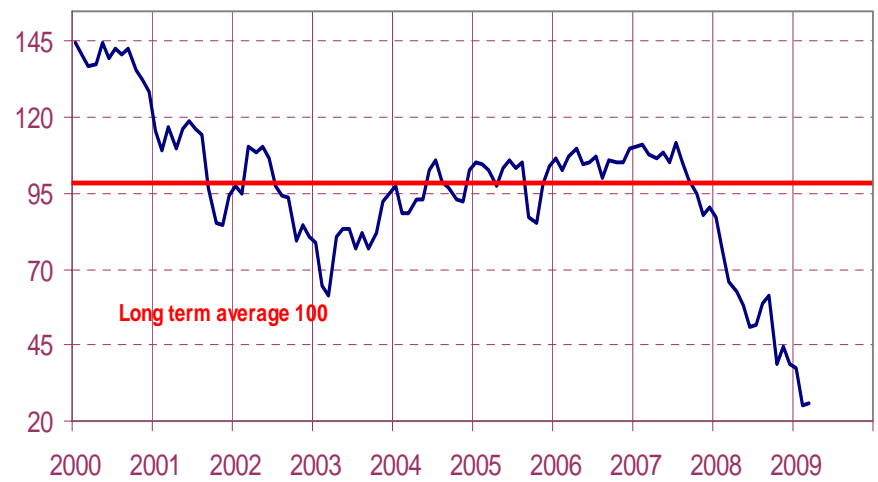
US -New orders - manufacturing



USA registrations: Passenger cars and trucks



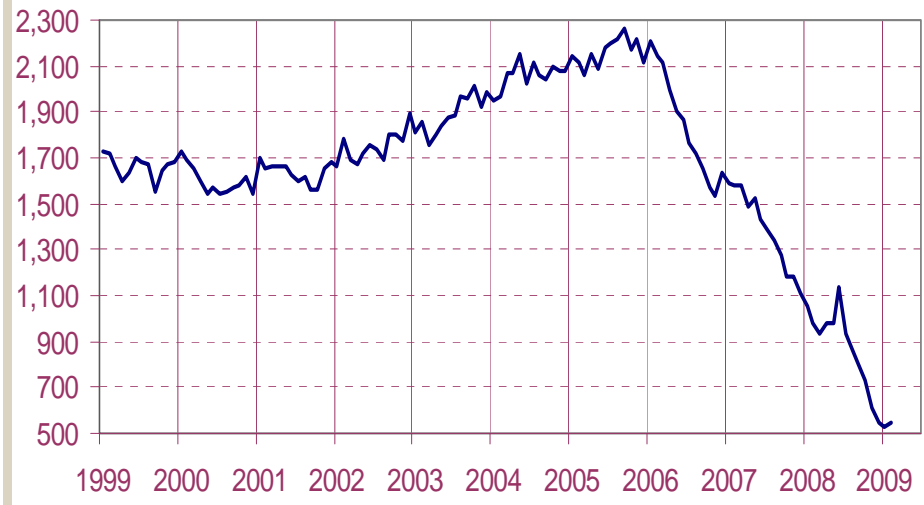
US Consumer Confidence (1985 = 100)



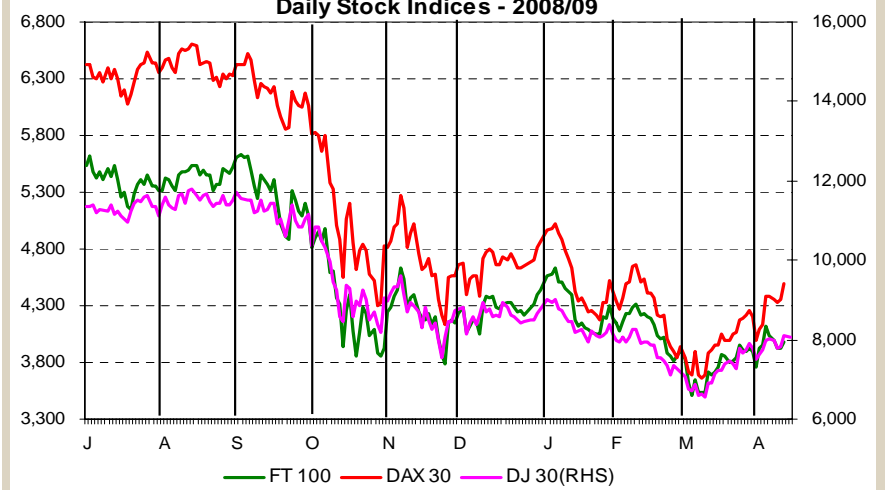


USA – leading indicators bottoming out (2/2)

US Housing permits (Seasonally adjusted), 000's annual rate



Daily Stock Indices - 2008/09



Economic Stimulus Package



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- Total package: \$787 billion
- Tax cuts: \$274 billion
- Infrastructure Projects: Over \$85 billion
- Infrastructure Needs: \$1.6 trillion



Projects

Funding

Highways/Bridges

\$30.3 billion

Environmental Infrastructure

\$14.3 billion

Transit

\$12.0 billion

Federal Buildings

\$10.0 billion

Army Corps of Engineers

\$7.0 billion

Aviation

\$5.3 billion

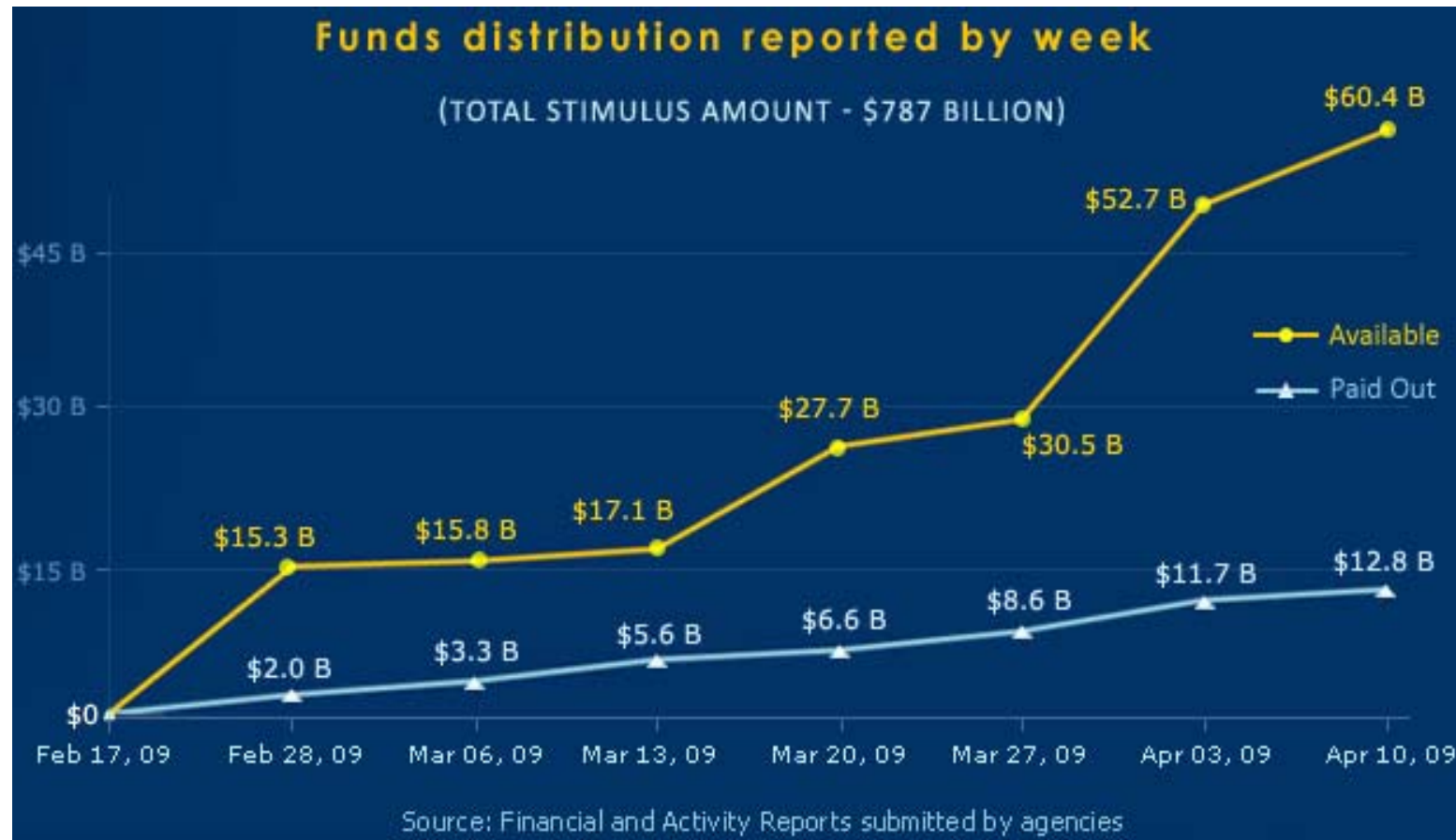
Rail

\$5.0 billion

Other (Economic Development Administration, Coast
Guard, Maritime Administration, St.
Lawrence Seaway

\$1.2 billion

American Reinvestment and Recovery Act





Conclusion

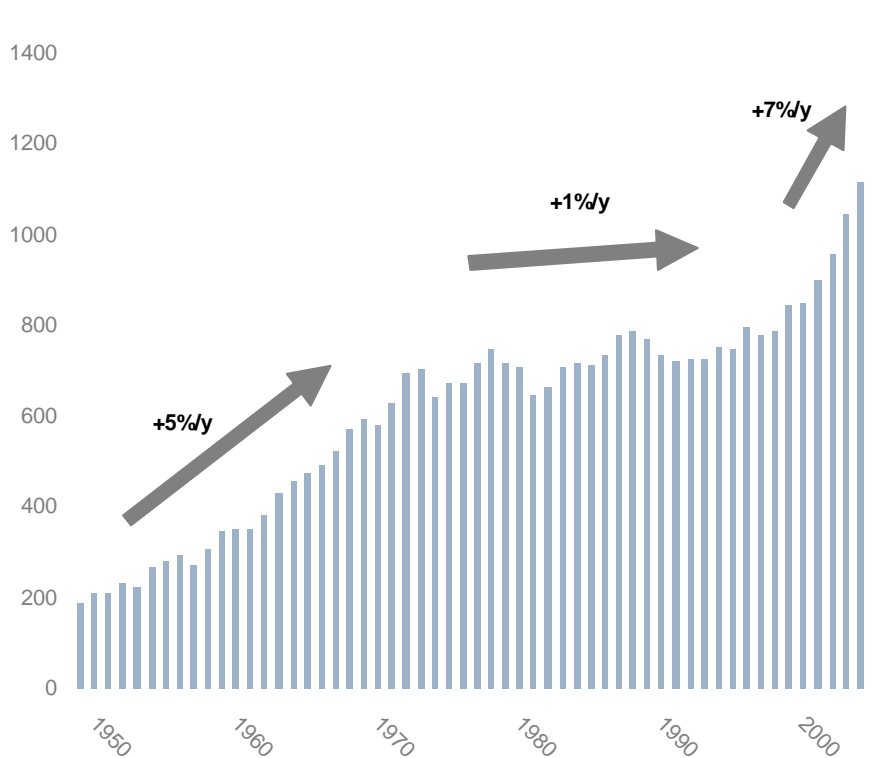
A glimmer of hope? (2/2)

- In China, $\frac{3}{4}$ of growth will come from government demand, particularly infrastructure spending. The government has the cash and determination to prop up domestic spending.
- Many new Economies have been hit by the sudden fall in private cross border capital flows (5% of GDP in 2007).
- Japan latest package of tax cuts and government spending will provide the biggest fiscal boost of any OECD country. Then the public-debt stock will approach 200% of GDP. No room for more fiscal stimulus...
- Double-digit unemployment, years of weak investment and higher public-debt burden will dent economies potential.
- Higher unemployment and rising bankruptcies could easily cause a vicious new downward lurch.
- Despite some good news, the worst global slump since the Depression is far from finished...

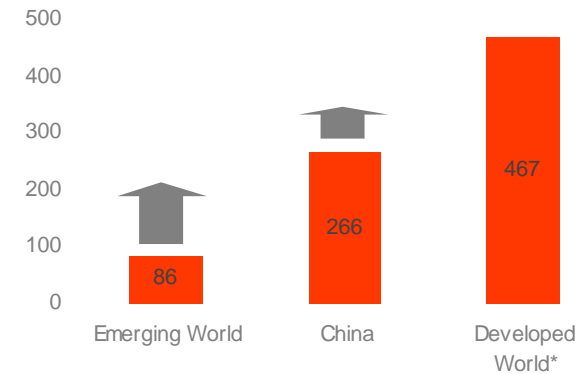
A new demand growth dynamic due to China and emerging economies



World steel apparent demand from 1950 to 2006 – millions of tonnes



Steel consumption per capita in 2006 (kg)



In December 2007 ArcelorMittal acquired an equity interest in China Oriental Group Company Ltd. ArcelorMittal is becoming the second largest shareholder of the Group which produces steel products such as billets, strips, H-beams, cold rolled and galvanized strip.

World steel market expected to grow by 3 to 5% per year for the next 10 years driven by continuing industrialisation from China and emerging economies



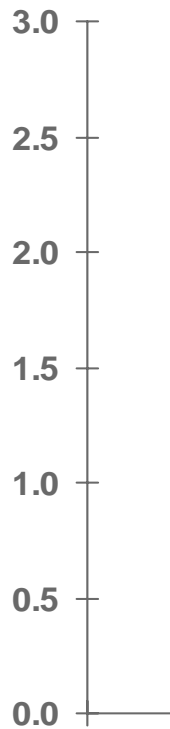
Risks

- Credit markets do not respond
- Government auto sales tax credit program freezes consumers
- Cap and trade

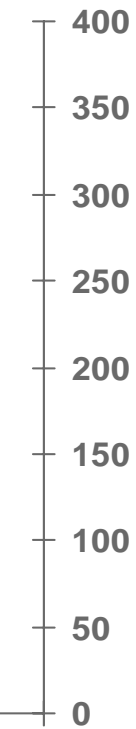
Energy efficiency must be a priority for steel producers in developing countries



CO₂ /ton generated by steel production (2005 estimate)



2005 crude steel production (millions of metric tons)



China

India

USA

Total steel-industry CO₂ generation in 2005 (millions of tons)

925.1

81.8

94.9



2009/2010 Market Outlook Summary

- The financial crisis continues to weaken our outlook for 2009. Global growth is threatened too.
- Home values continue to erode.
- Real wages are falling. Disposable income declines.
- Unemployment is rising.
- Credit availability is open issue.
- Energy sector weakens somewhat with falling energy prices
- Agricultural and mining sectors weaken in 2009 as a result of falling commodity prices.
- Auto production will be down from the disappointing performance in 2008.
- Housing bottom is hopefully near and we may see a marginal increase in in 2010. Housing prices will not recover in 2009, however.
- Non-residential construction will contract.

2009 will be a difficult year for U.S. manufacturing, but the combination of pent up demand, low inventories, and stimulus money could make for a sharp recovery.