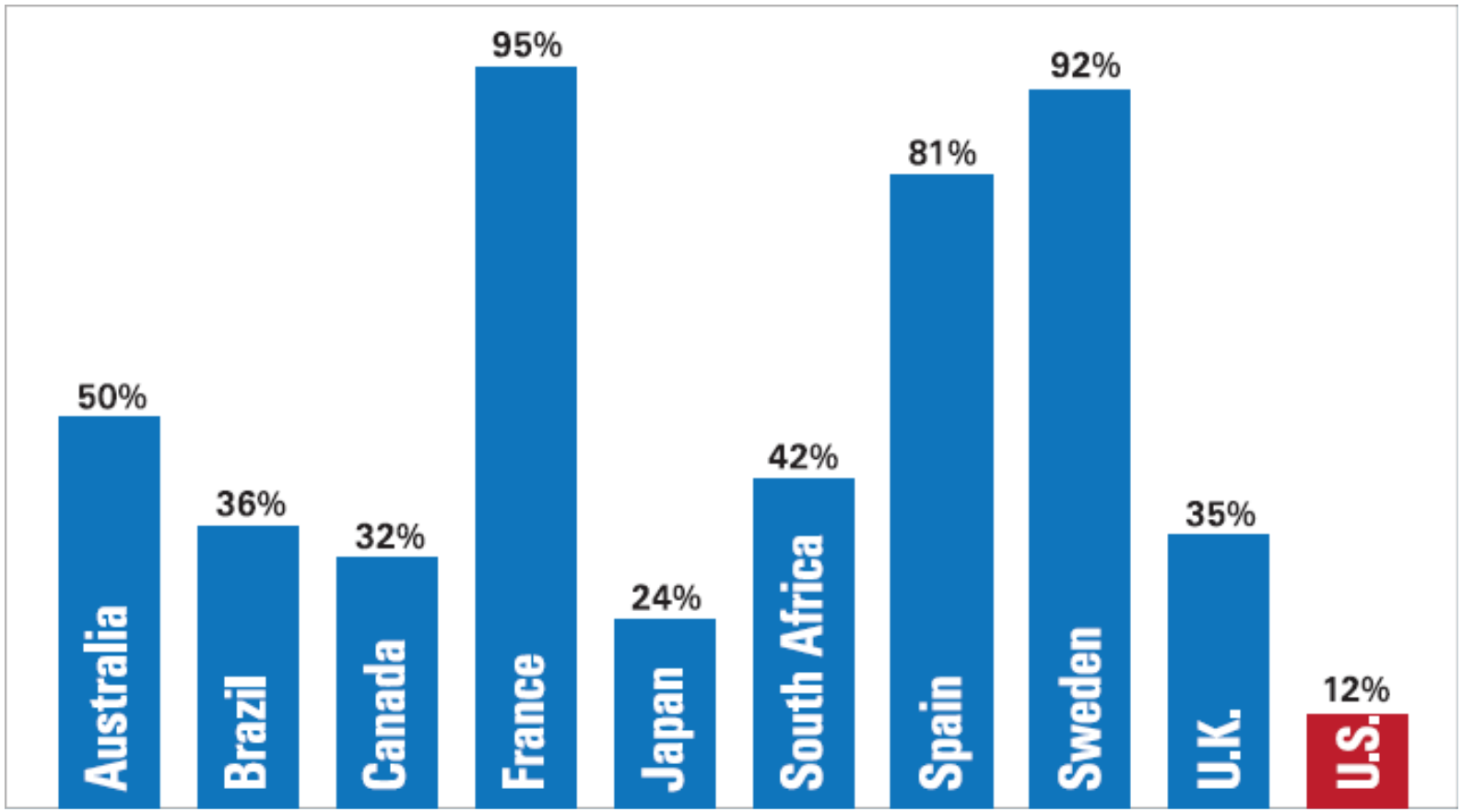

# Basic Steel Industry Conference

Leo Gerard, International President

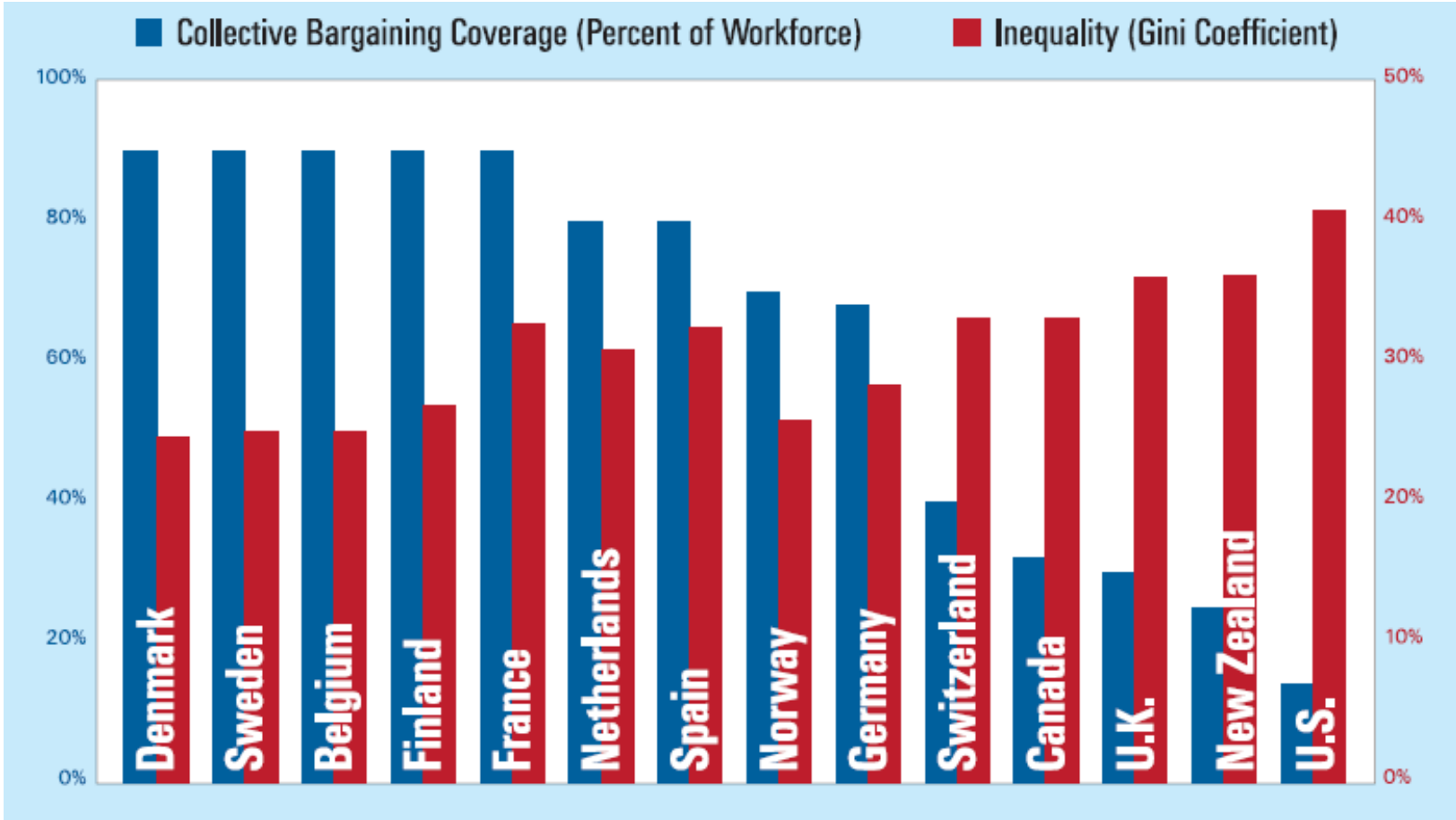
**Pittsburgh, Pennsylvania**
**December 17, 2007**

# Unionization in Industrialized Countries




Source: AFL-CIO

# Lower Union Density Results in Greater Inequality




Source: AFL-CIO


# The State of Steel

Tom Conway, International Vice President

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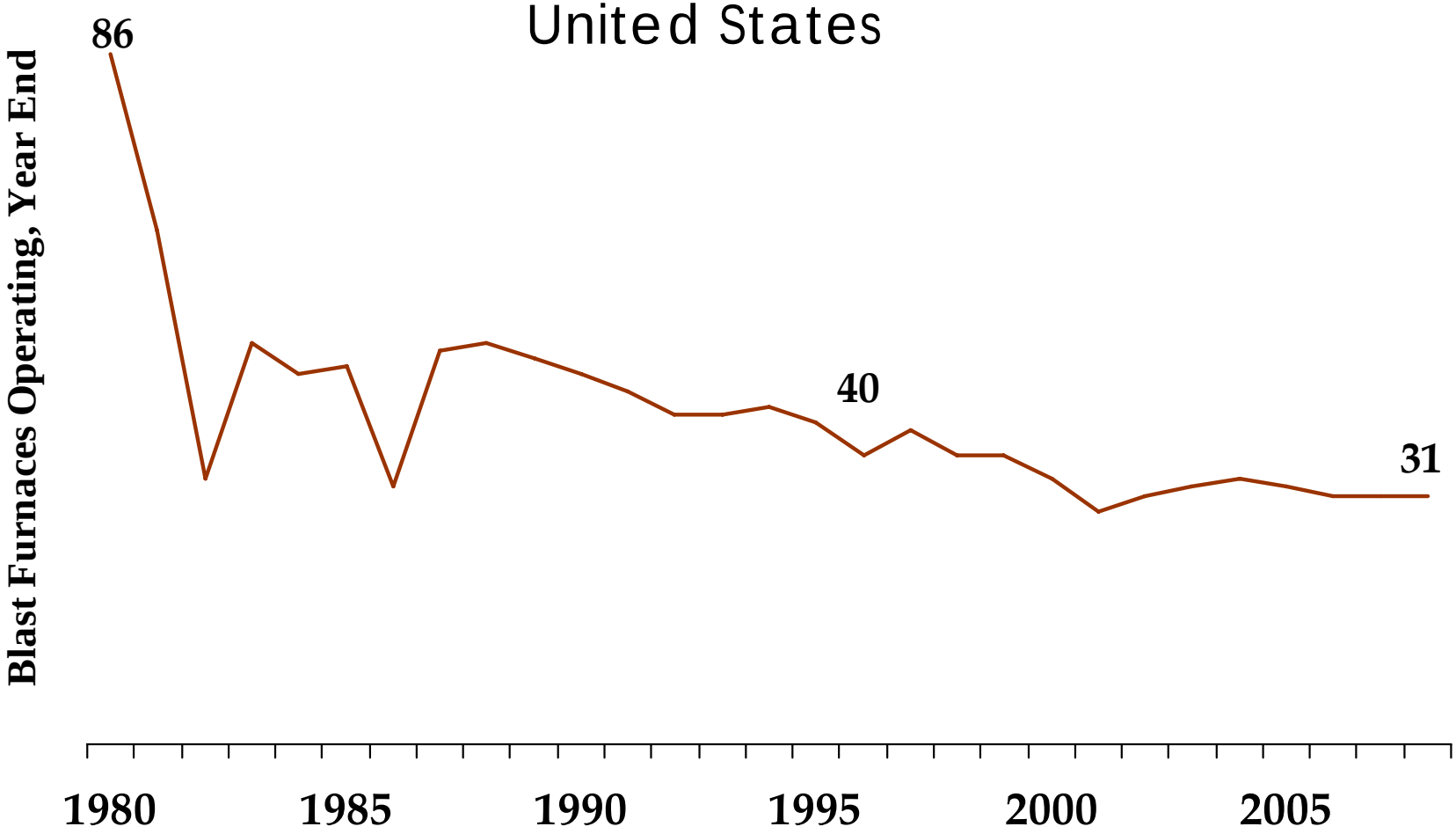
# The Steel Crisis - 1998-2003

- Collapse of Asian economies in late 1997 caused a wave of record steel imports.
- After a brief recovery in 1999/2000, the "roof caved in".
- Steel prices fell to 20-year lows
- 55,000 steelworker jobs were lost.
- $12 billion in net losses during 2000-2003
- 45 bankruptcy filings, including 18 plant shutdowns.
- 16 distress pension plan terminations by PBGC, involving over 250,000 participants and $10 billion in underfunded benefits.
- Loss of retiree health care for over 300,000 retirees and dependents.

# The Industry Today

- Most firms have returned to profitability
- Dramatic Realignment of Industry
- Generally Positive Price Forecasts
- Demand from China remains strong
- Exports likely to reach 10 mnt in 2007 due to weak dollar
- Possibility of 13 million tons of new capacity
  - Thyssen – 4.7 million tons - carbon & stainless (2010 start-up)
  - Severcorr – 3.4 million tons - carbon & galvanized (2010 start-up)
  - Magnitogorsk Iron & Steel – 2.5 million tons - carbon & stainless (2010 start-up)
  - Minnesota Steel – 2.5 million tons - carbon (2009 start-up)
  - Several Direct-Reduced Iron Projects Underway

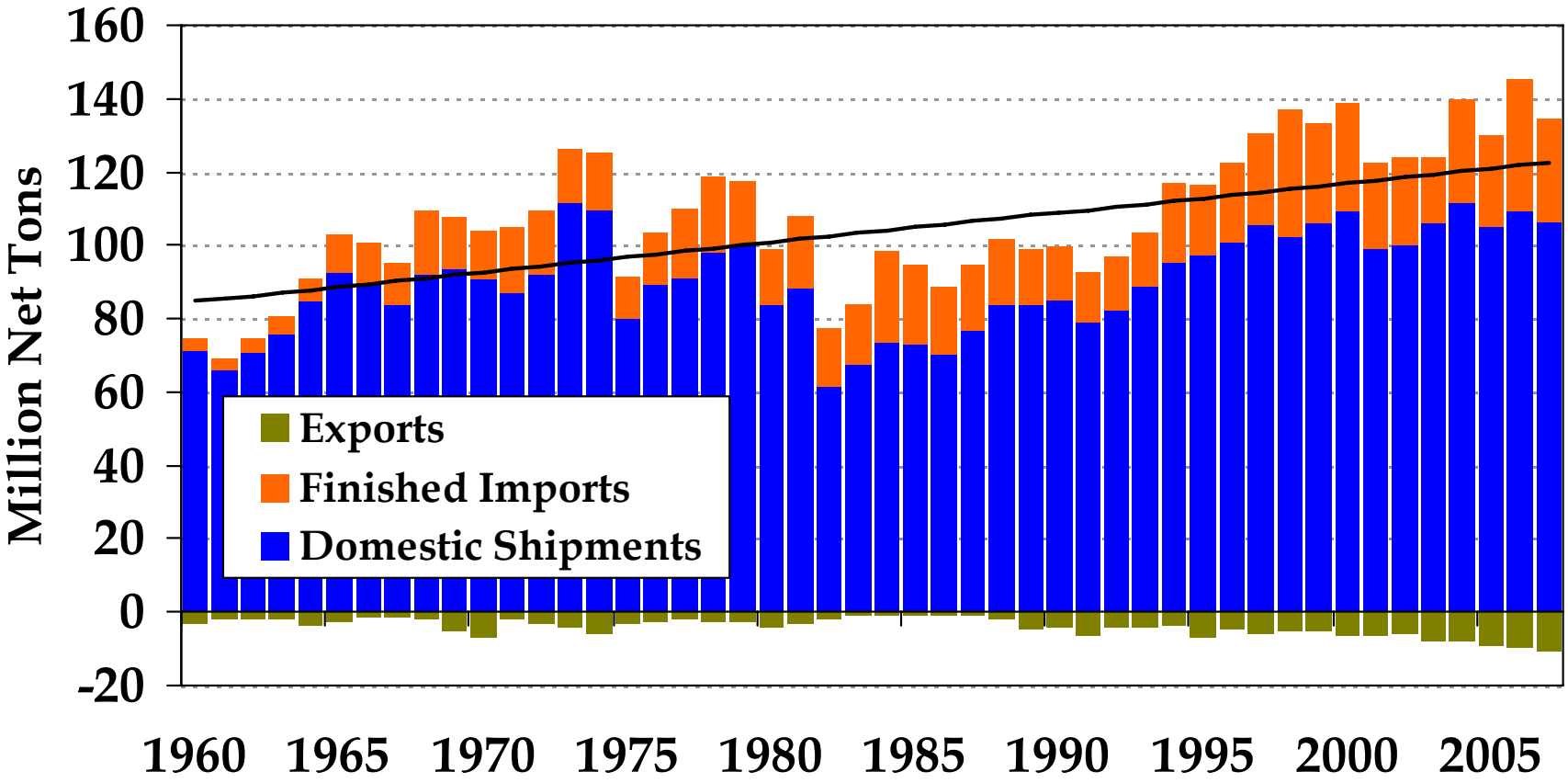
# Operating Blast Furnaces




Source: American Iron Ore Association and World Steel Dynamics.

# Apparent Steel Consumption

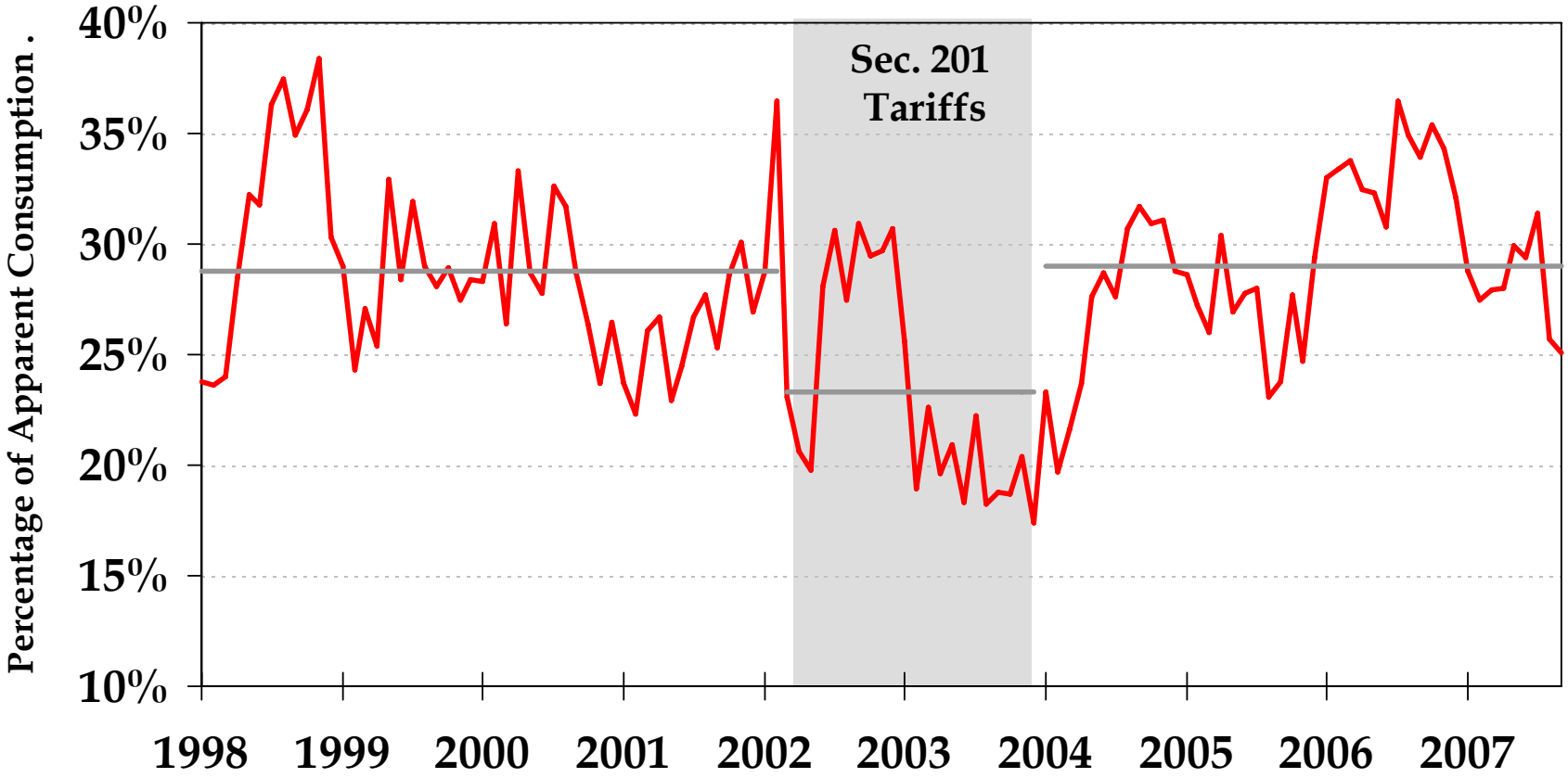
## Shipments + Finished Imports - Exports




Note: 2007 imports estimated based on annualized year-to-date September 2007 figures.
Source: American Iron and Steel Institute.

# Import Share of U.S. Market for Steel Mill Products

## January 1998 – September 2007




Note: Total imports of Steel Mill Products as a share of apparent consumption (total domestic shipments plus total imports less total exports and semi-finished steel imports).

Source: American Iron and Steel Institute.

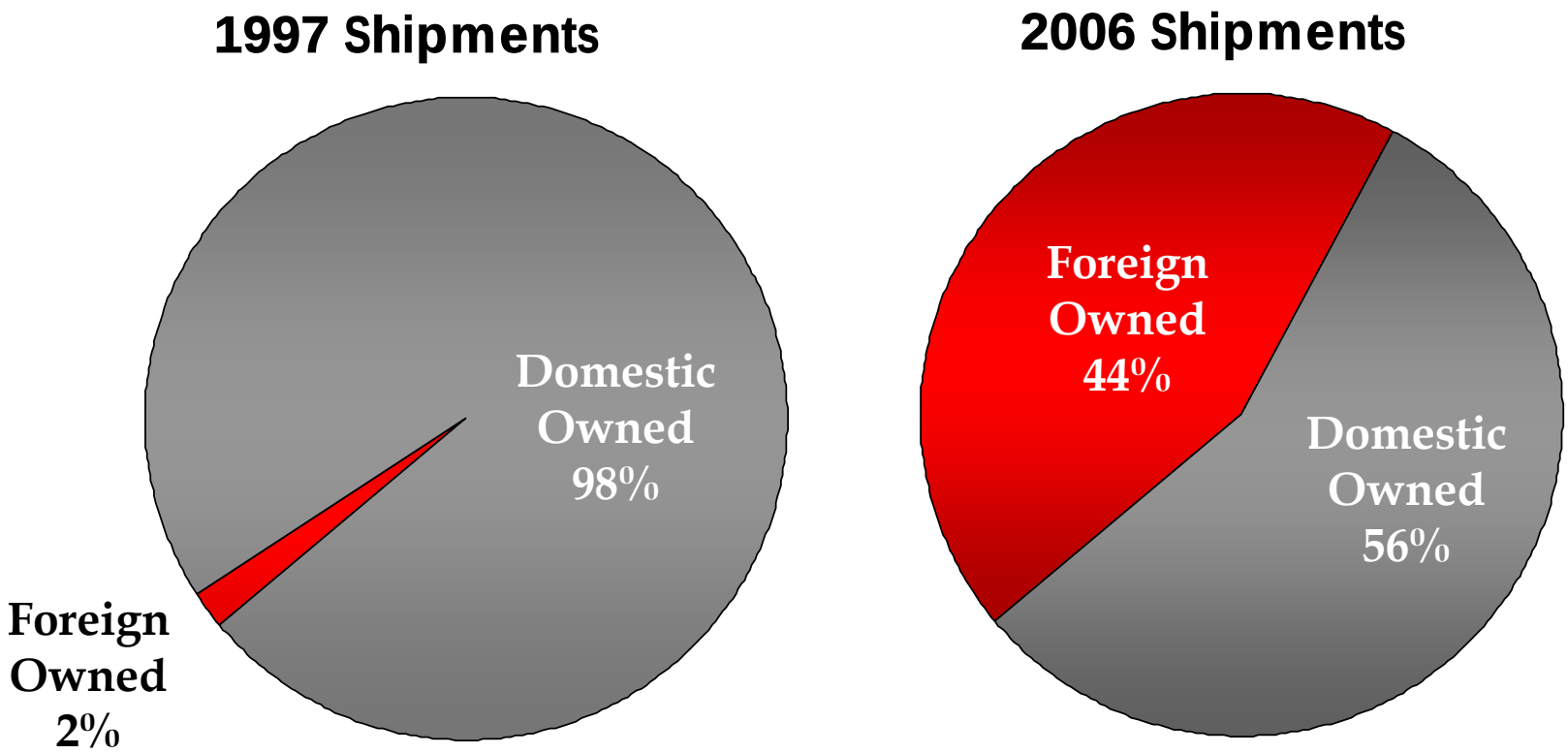
# Steel Market Share

## Steel Operations in United States

| | 1995 | | | 2007 | | |
|---|---|---|---|---|---|---|
| # | Company | Raw Steel Capacity MNTPY | % | Company | Raw Steel Capacity MNTPY | % |
| 1 | U.S. Steel | 14.2 | 11% | Mittal Steel USA | 29.7 | 22% |
| 2 | Bethlehem Steel | 12.5 | 10% | Nucor | 26.1 | 19% |
| 3 | Nucor | 10.0 | 8% | U.S. Steel | 21.5 | 16% |
| 4 | LTV Steel | 9.9 | 8% | Gerdau Ameristeel | 9.6 | 7% |
| 5 | National Steel | 7.1 | 6% | AK Steel | 7.1 | 5% |
| 6 | Ispat Inland | 6.2 | 5% | Steel Dynamics | 5.7 | 4% |
| 7 | AK Steel | 5.2 | 4% | Rep Eng. Prod. | 4.5 | 3% |
| 8 | Rouge Steel | 4.6 | 4% | Severstal NA | 3.9 | 3% |
| 9 | Weirton | 3.3 | 3% | SSAB | 3.4 | 3% |
| 10 | Geneva Steel | 3.2 | 2% | Esmark | 2.8 | 2% |
| | **Largest 3** | 36.7 | 29% | **Largest 3** | 77.3 | 57% |
| | **Largest 10** | 76.3 | 59% | **Largest 10** | 114.4 | 85% |
| | **Industry Capacity** | 128.9 | 100% | **Industry Capacity** | 134.1 | 100% |
| | **No. of Companies** | 61 | | **No. of Companies** | 41 | |

Note: Raw steel production capacity in millions of net ton per year.
Source: World Steel Dynamics.

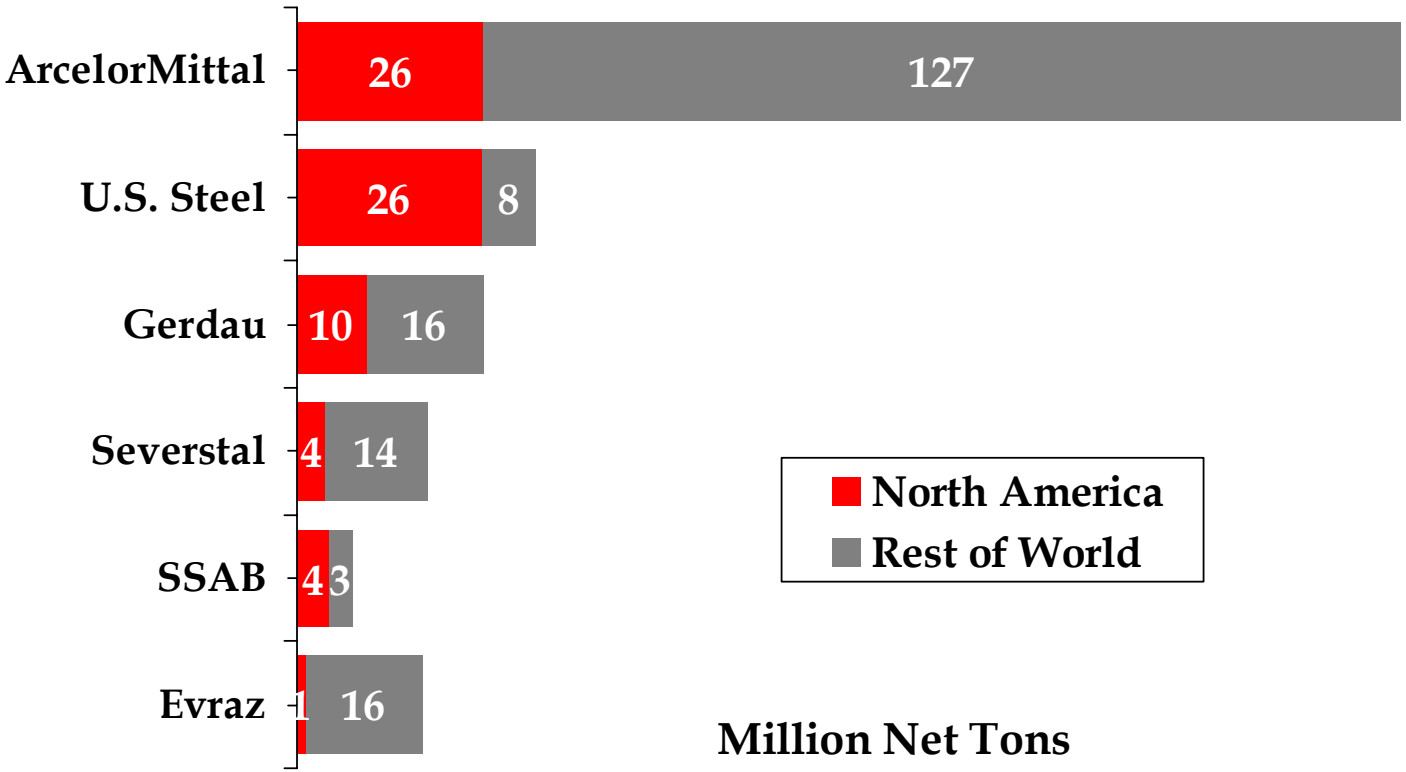
# Evolution of U.S. Ownership




Source: KeyBanc Capital Markets, Presentation May 15, 2007.

# Largest Global Steelmakers in U.S. & Canada

## Relative U.S. and Global Capacity, 2007




Source: World Steel Dynamics and United Steelworkers.


# Retiree Health

Tom Conway, International Vice President

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# Steel Industry Retirees

Over 300,000 Retirees and Dependents were affected by the bankruptcy wave.

## Retirees with VEBAs

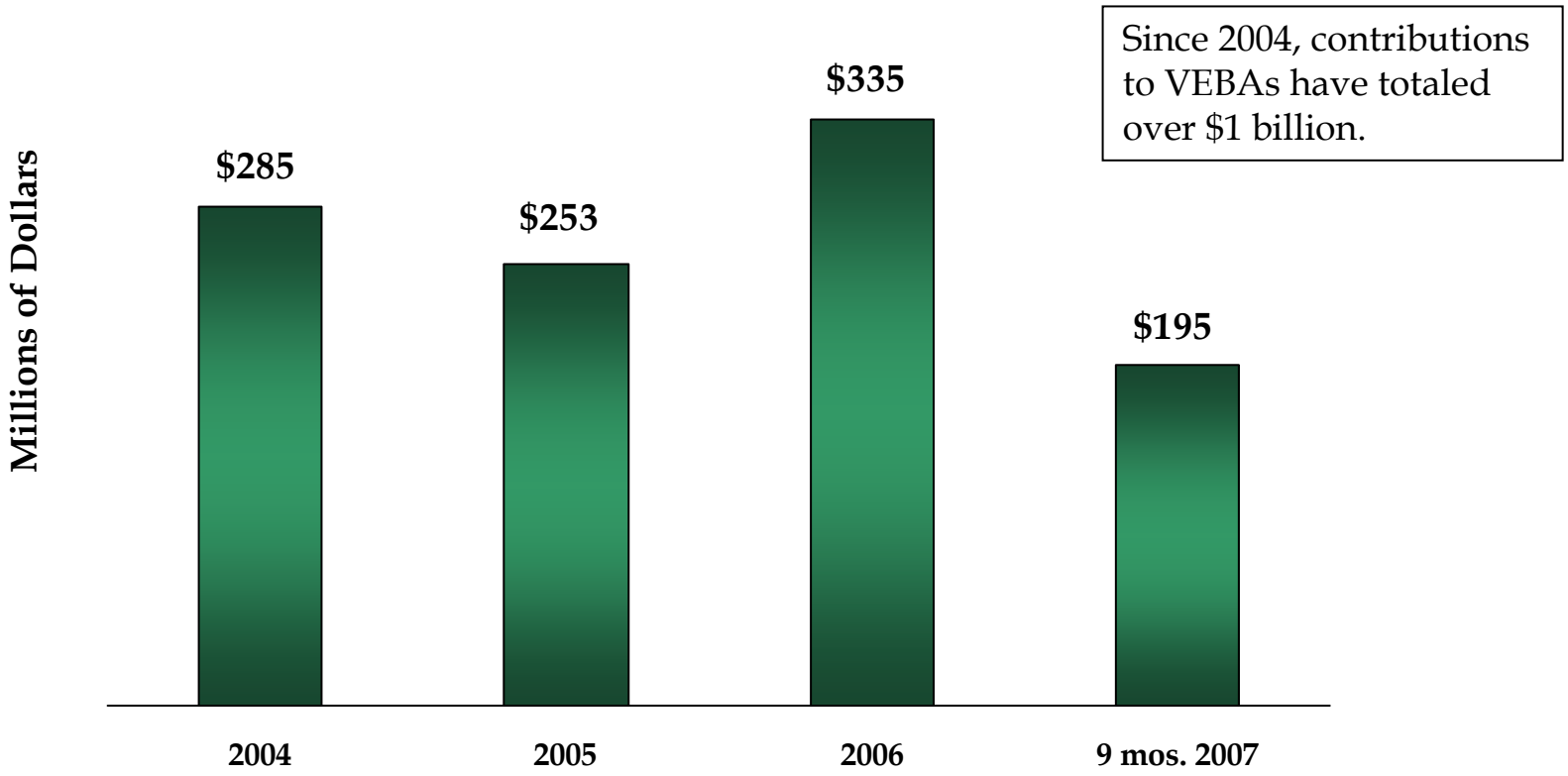
| Company | Number of Retirees & Dependents |
|---|---|
| Bethlehem Steel | 100,000 |
| LTV Corp. | 72,000 |
| National Steel | 18,000 |
| Wheeling-Pittsburgh Steel | 17,000 |
| Republic Engineered Products, LLC | 6,000 |
| Acme Metals | 6,500 |
| WCI Steel | 4,000 |
| Republic Technologies | 4,500 |
| Geneva Steel Co. | 4,000 |
| CSC Ltd. | 3,000 |
| Georgetown Steel | 1,000 |
| **Total** | **236,000** |

## Retirees with no VEBA

| Company | Number of Retirees & Dependents |
|---|---|
| Gulf States Steel | 5,000 |
| GS Industries, Inc. | 5,000 |
| Laclede Steel Co. | 4,000 |
| Northwestern Steel & Wire | 4,000 |
| All Others | 62,000 |
| **Total** | **80,000** |

Source: United Steelworker estimates of hourly retirees and dependents.

# VEBA Contributions




Source: Potok & Co. tracking of VEBA contributions reported by companies.


# Financial Update

Ron Bloom, Special Assistant to the President

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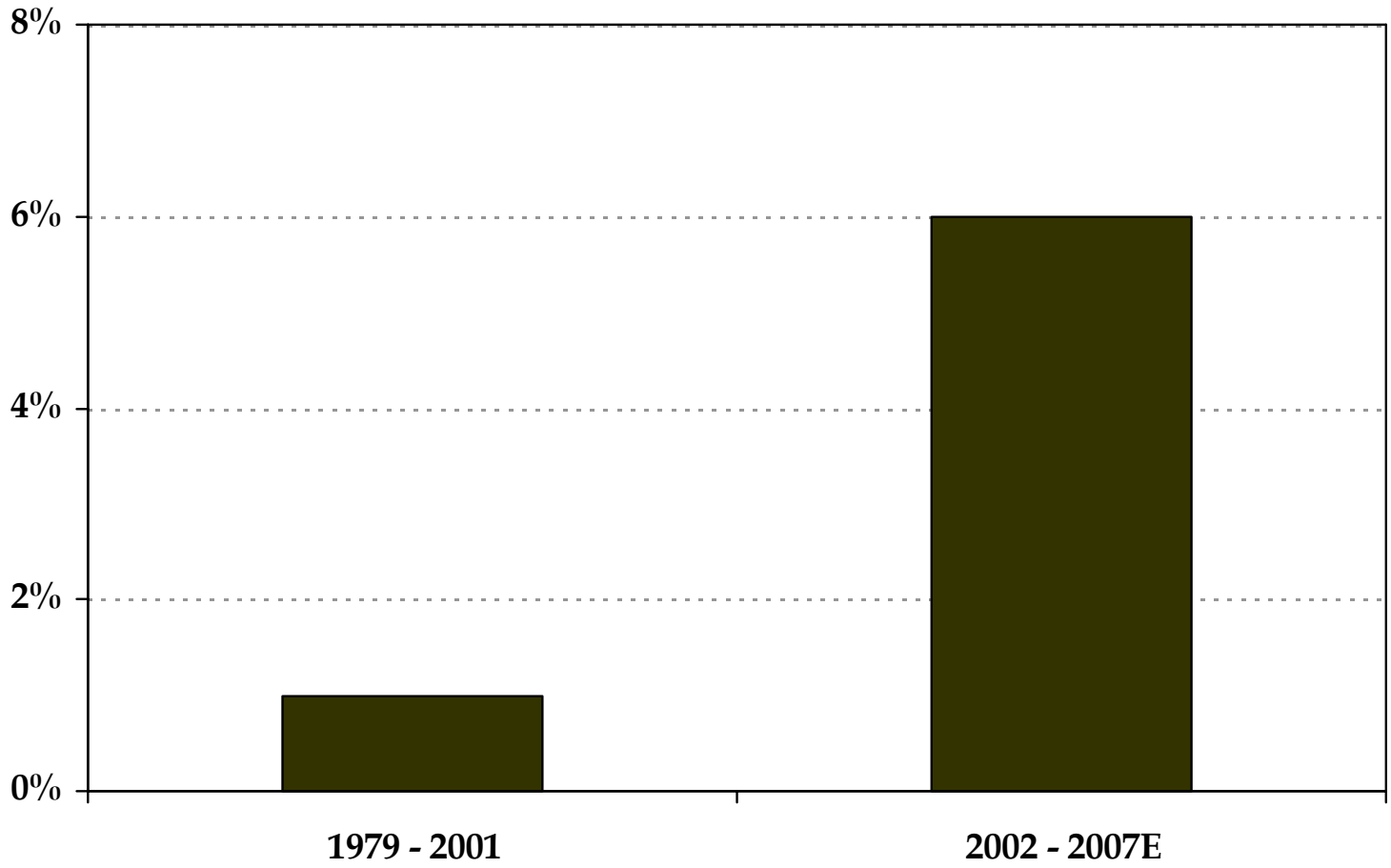
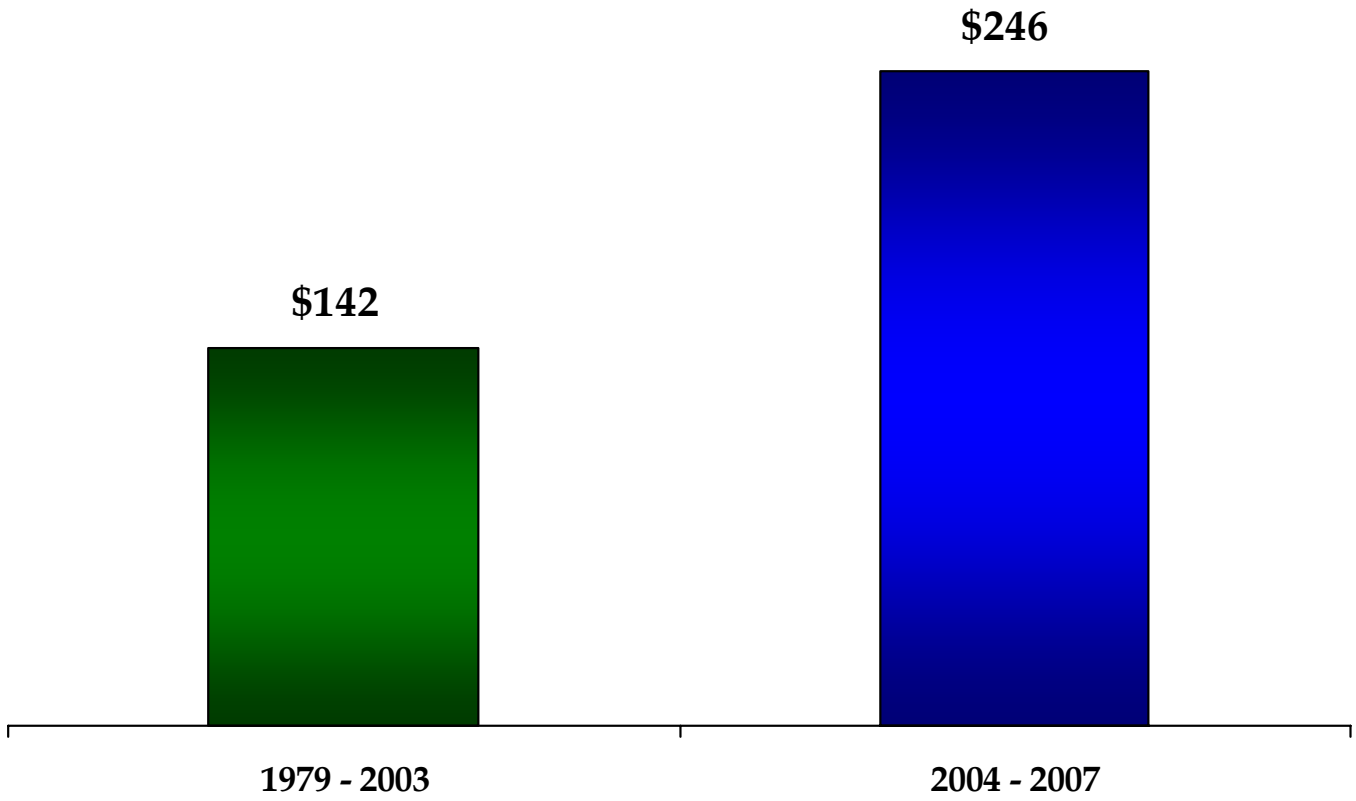
# Average Annual Industry Growth Rate



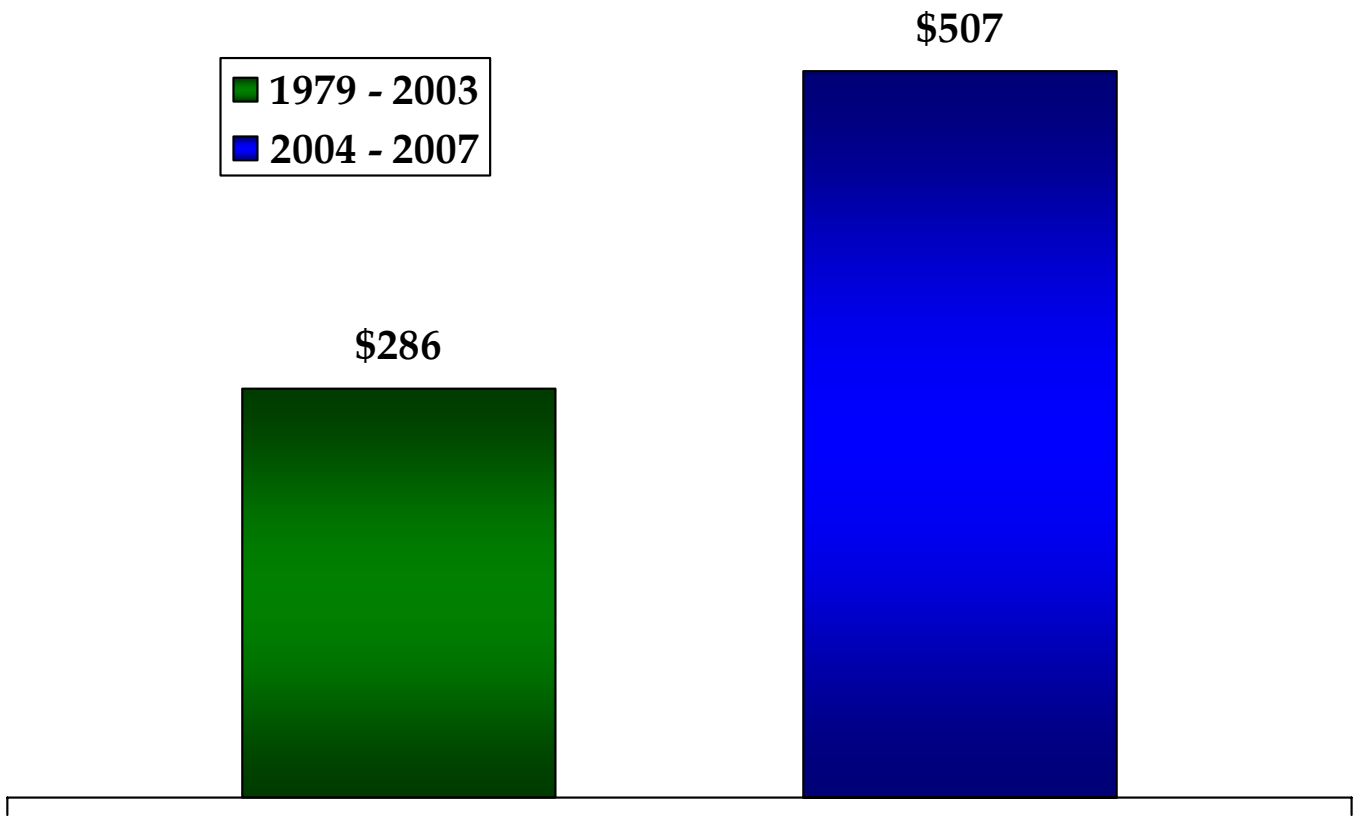

Source: AISI Statistical Review, Table 59. Various years.

# Average Price of Key Steelmaking Inputs




Note: Represents a composite price of Iron Ore, Coke and Scrap required to make a ton of steel.
Source: World Steel Dynamics.

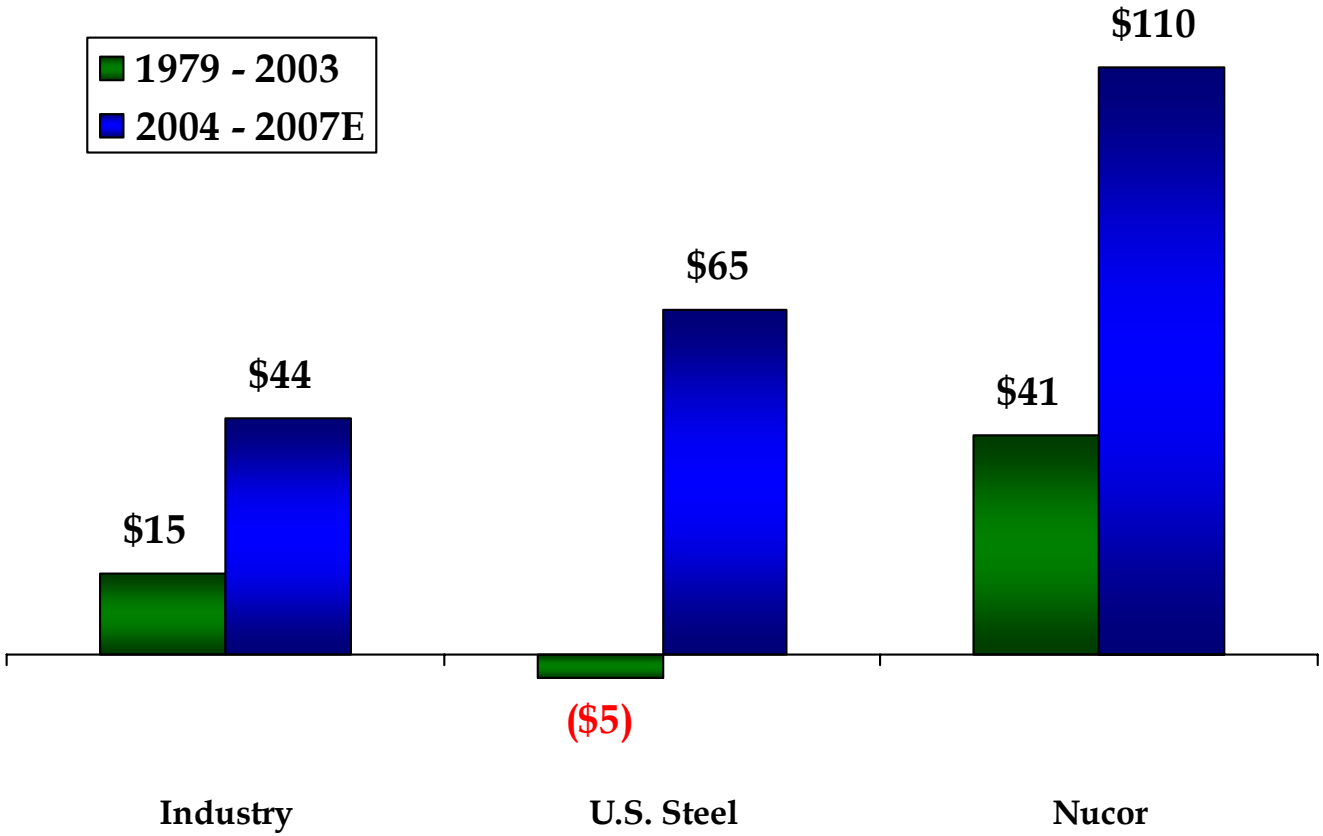
# Average Price of Hot-Rolled Steel




Note: Global export price in dollars per metric ton.
Source: World Steel Dynamics.

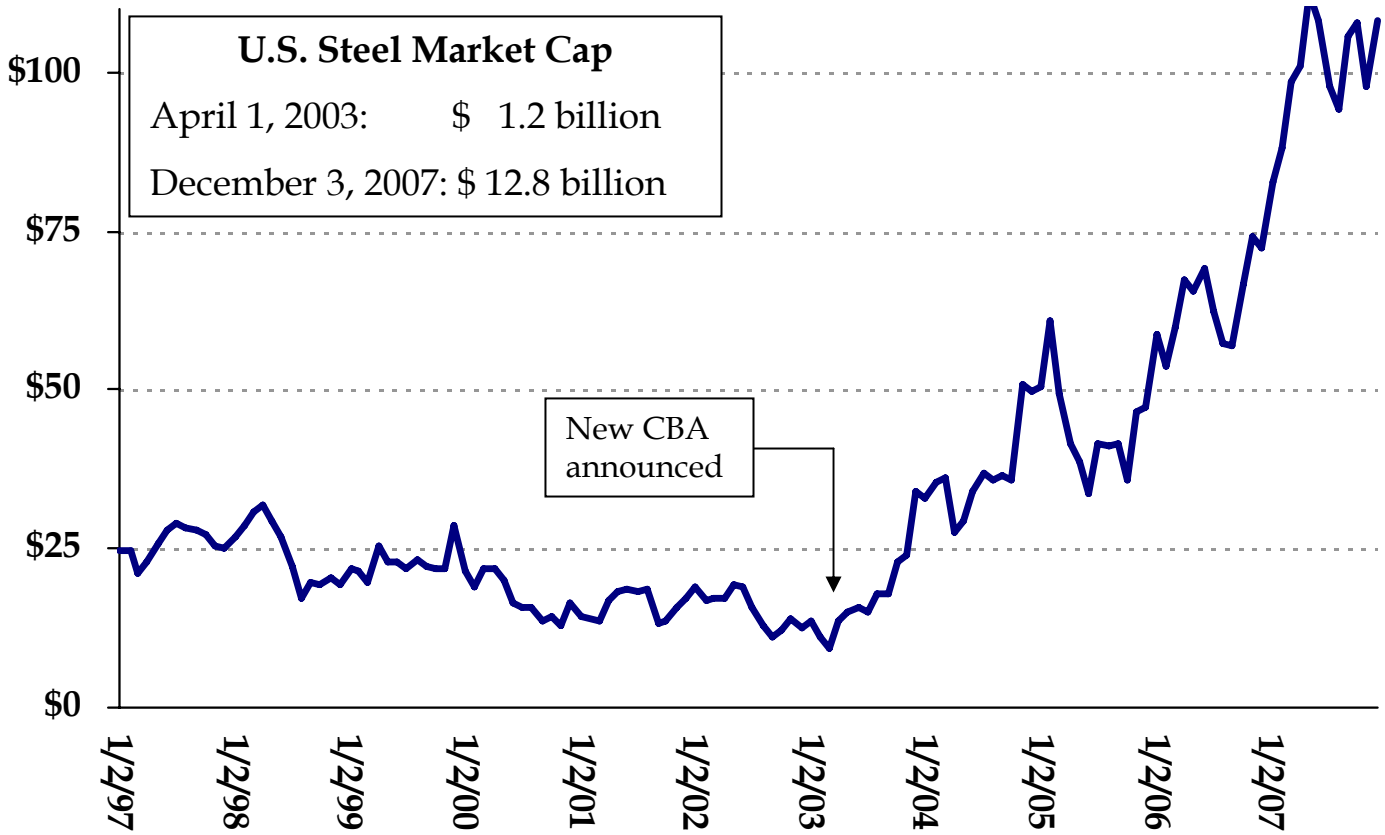
# Steel Industry Profitability

## Average Operating Income per Ton



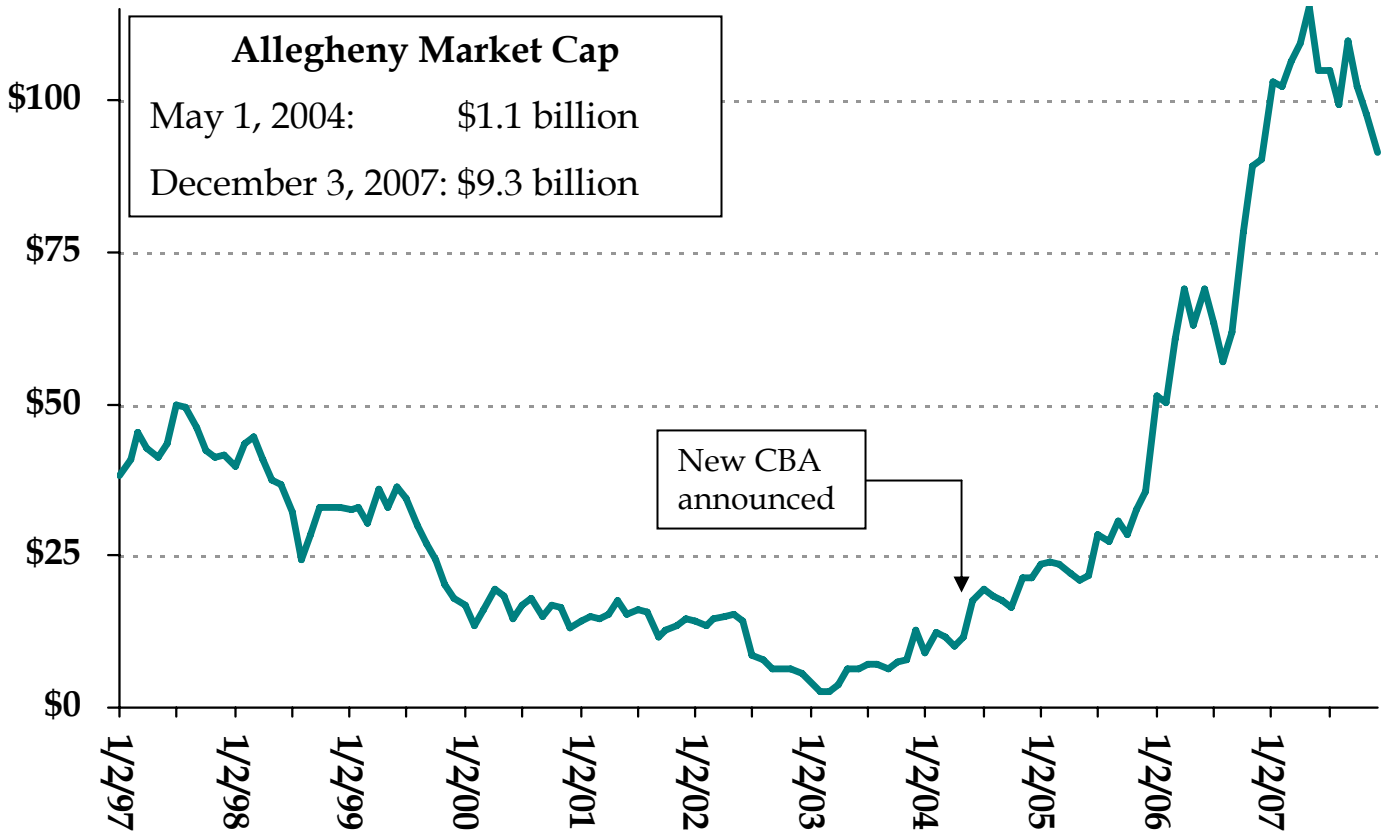

Sources: AISI Annual Statistical Report, various years; U.S. Steel SEC 10-K filings, various years; Nucor Sales and Earnings (ton data) 1966-2006 spreadsheet from company website.
2007 estimates from consensus estimates as compiled by Thompson Financial.

# U.S. Steel Stock Price




Source: Yahoo! Finance Historical Stock Price and United Steelworkers.

# Allegheny Technologies Stock Price




Source: Yahoo! Finance Historical Stock Price and United Steelworkers.


# The Chinese Steel Industry

Tom Conway

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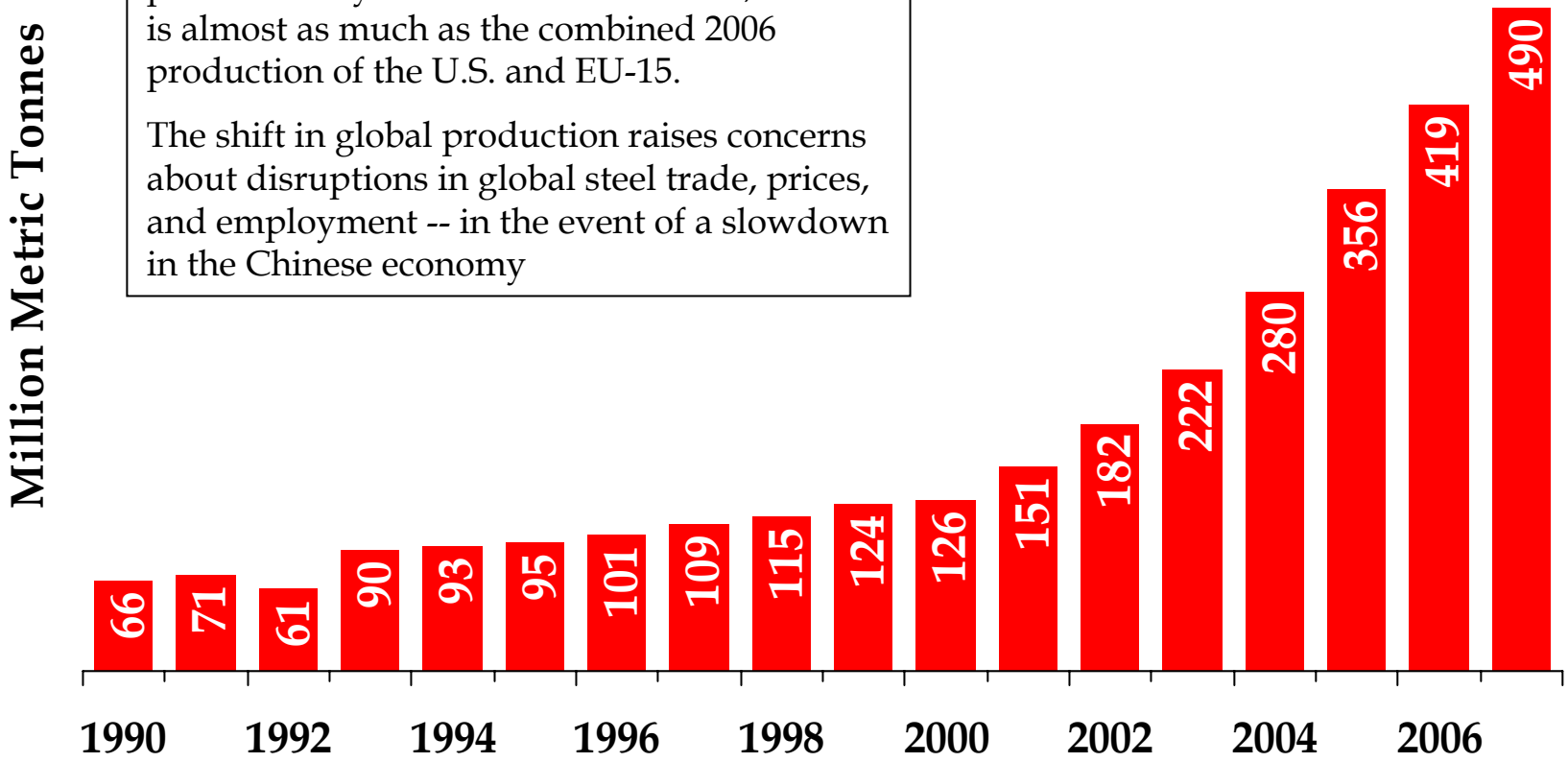
# China Crude Steel Production

Since 2003, China has increased steel production by 268 million metric tons, which is almost as much as the combined 2006 production of the U.S. and EU-15.

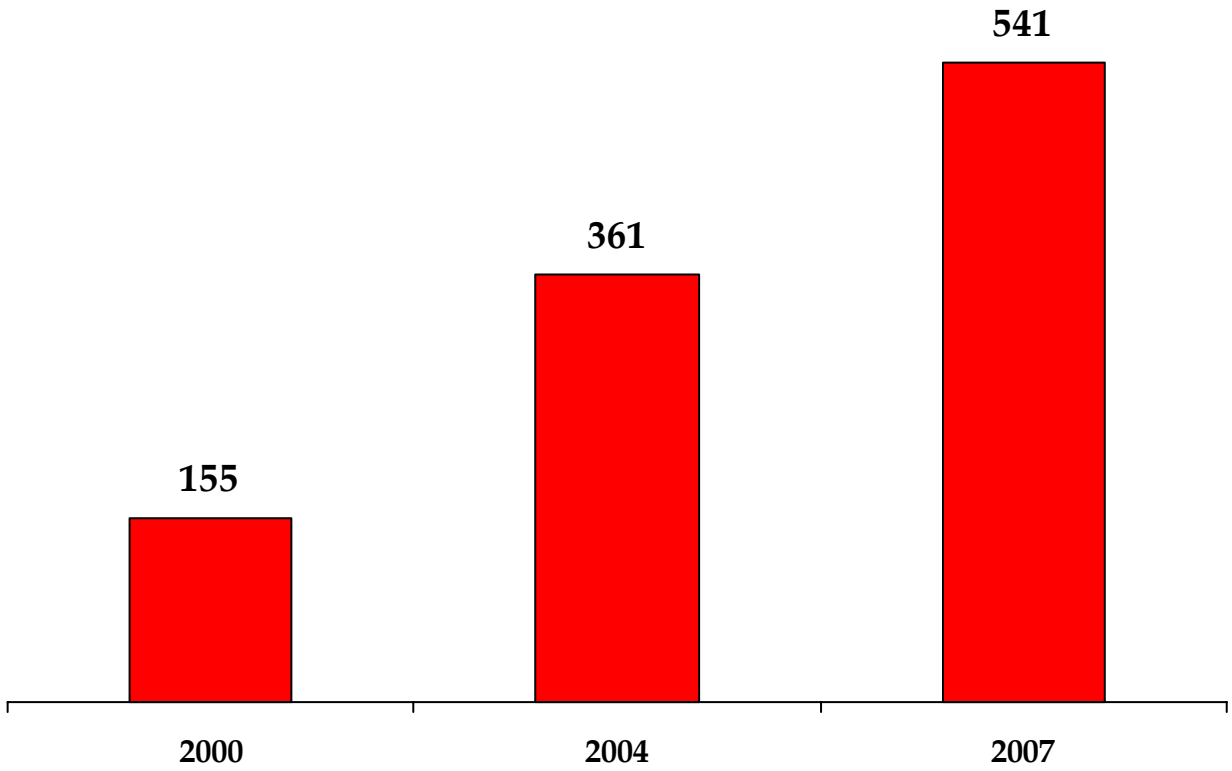
The shift in global production raises concerns about disruptions in global steel trade, prices, and employment -- in the event of a slowdown in the Chinese economy




Note: 2007 Production figure is an annualized number based on 10 months of production.
Source: International Iron and Steel Institute.

# China "mis"-Forecasts

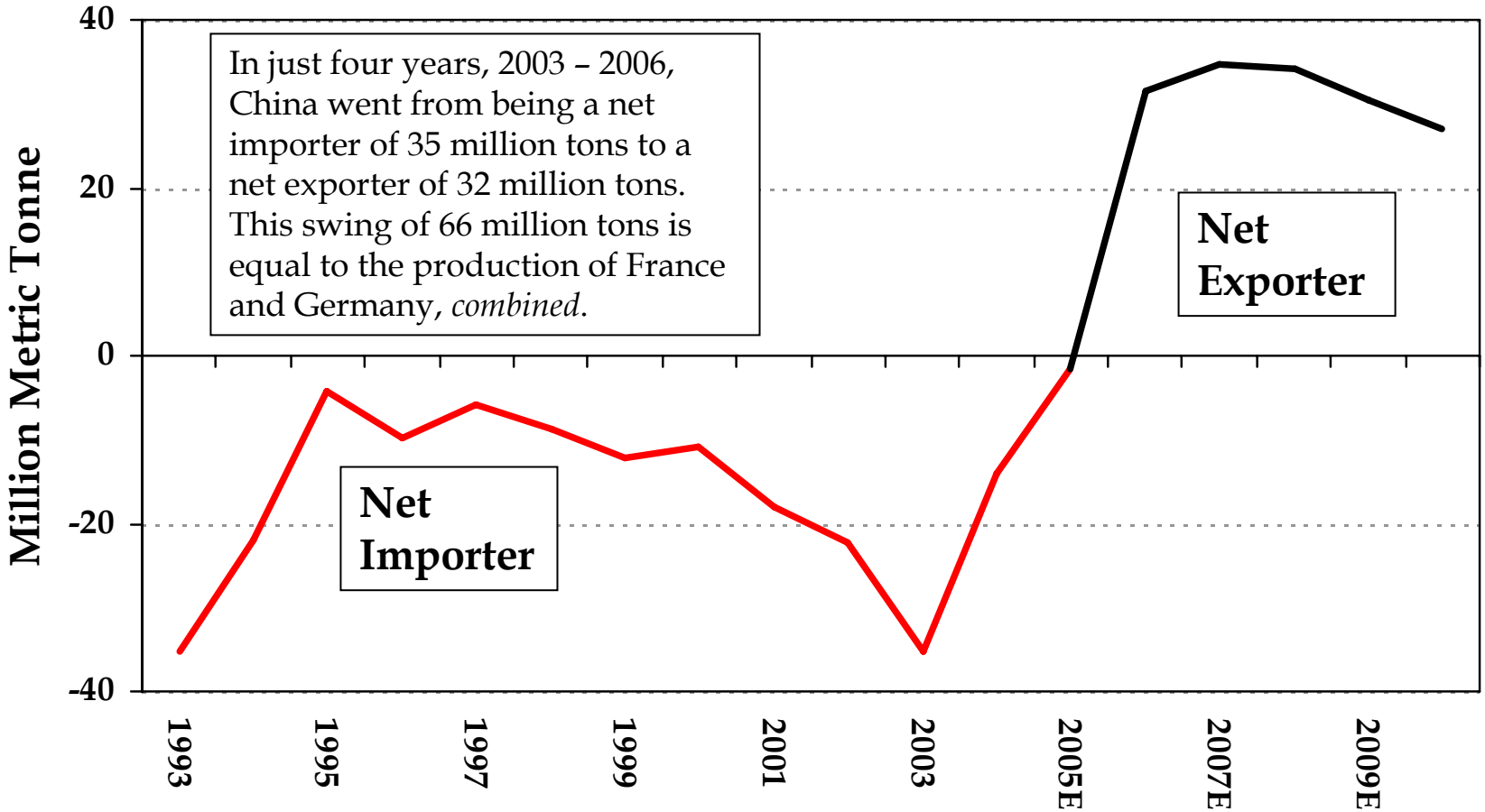
## 2010 Production Projections




Note: 2007 Production figure is an annualized number based on 10 months of production.
Source: World Steel Dynamics, Global Product Matrix, 2000, 2004 and 2007.

# China Steel Trade

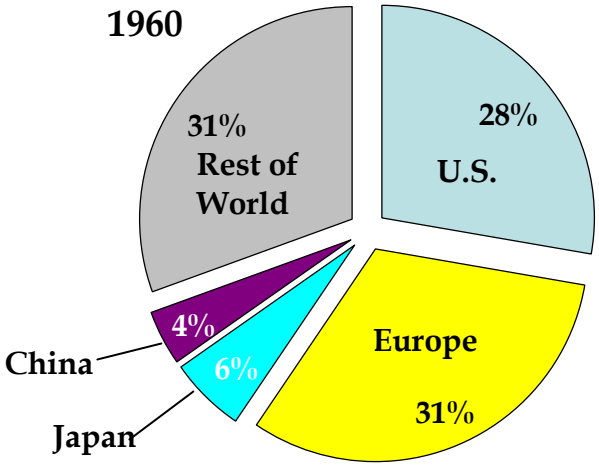
## 1993 – 2010 Estimate



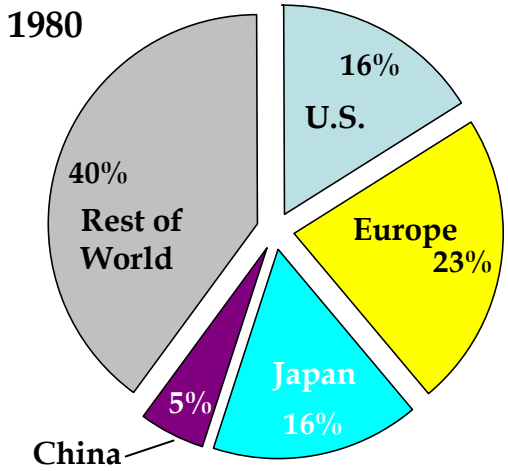

Note: Data includes both finished and semi-finished steel.
Source: World Steel Dynamics, Global Product Steel Matrix, June 2007. Pages 1-36, 3-170 and 3-171.

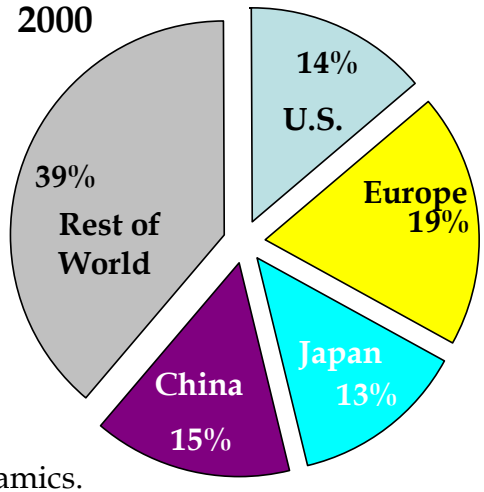
# Share of Global Steel Production

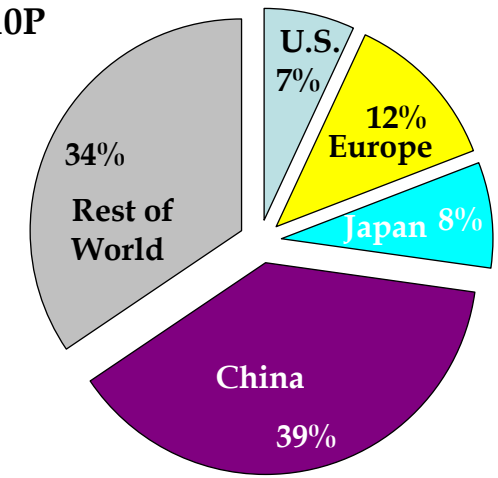
## 1960 - 2010P




The center of the global industry has shifted dramatically away from North America and continues to do so.



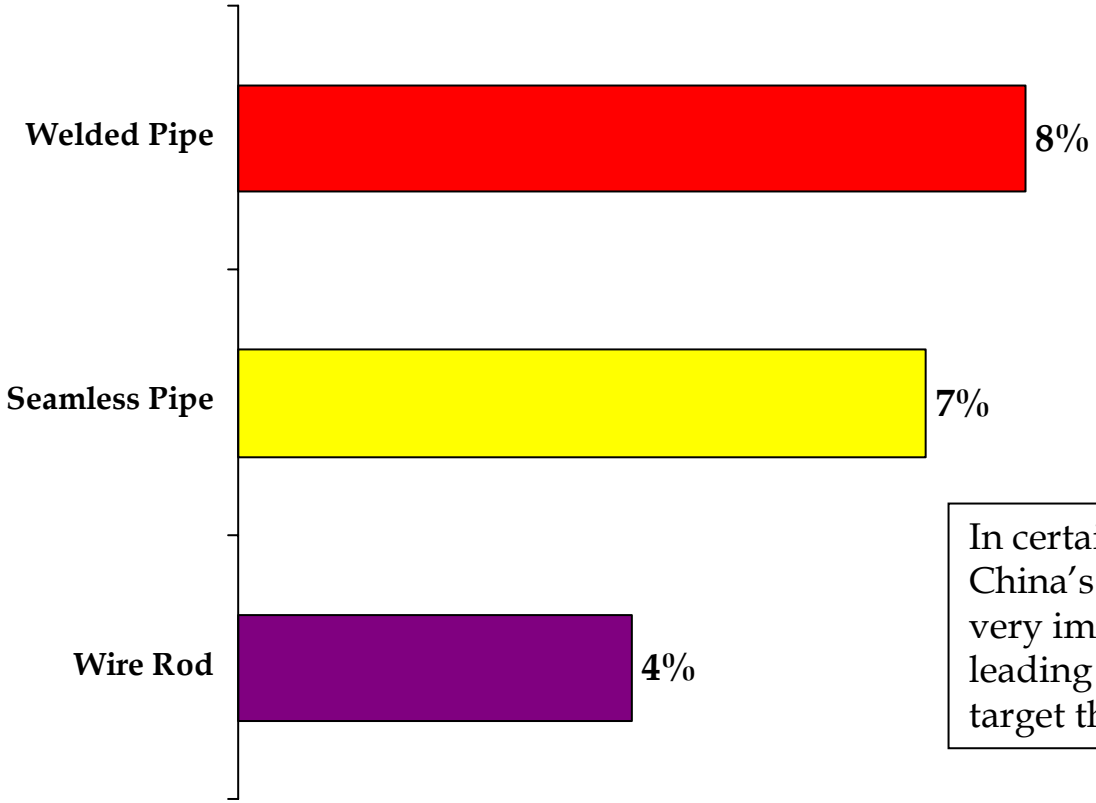




Source: World Steel Dynamics.

# Chinese Over-supply

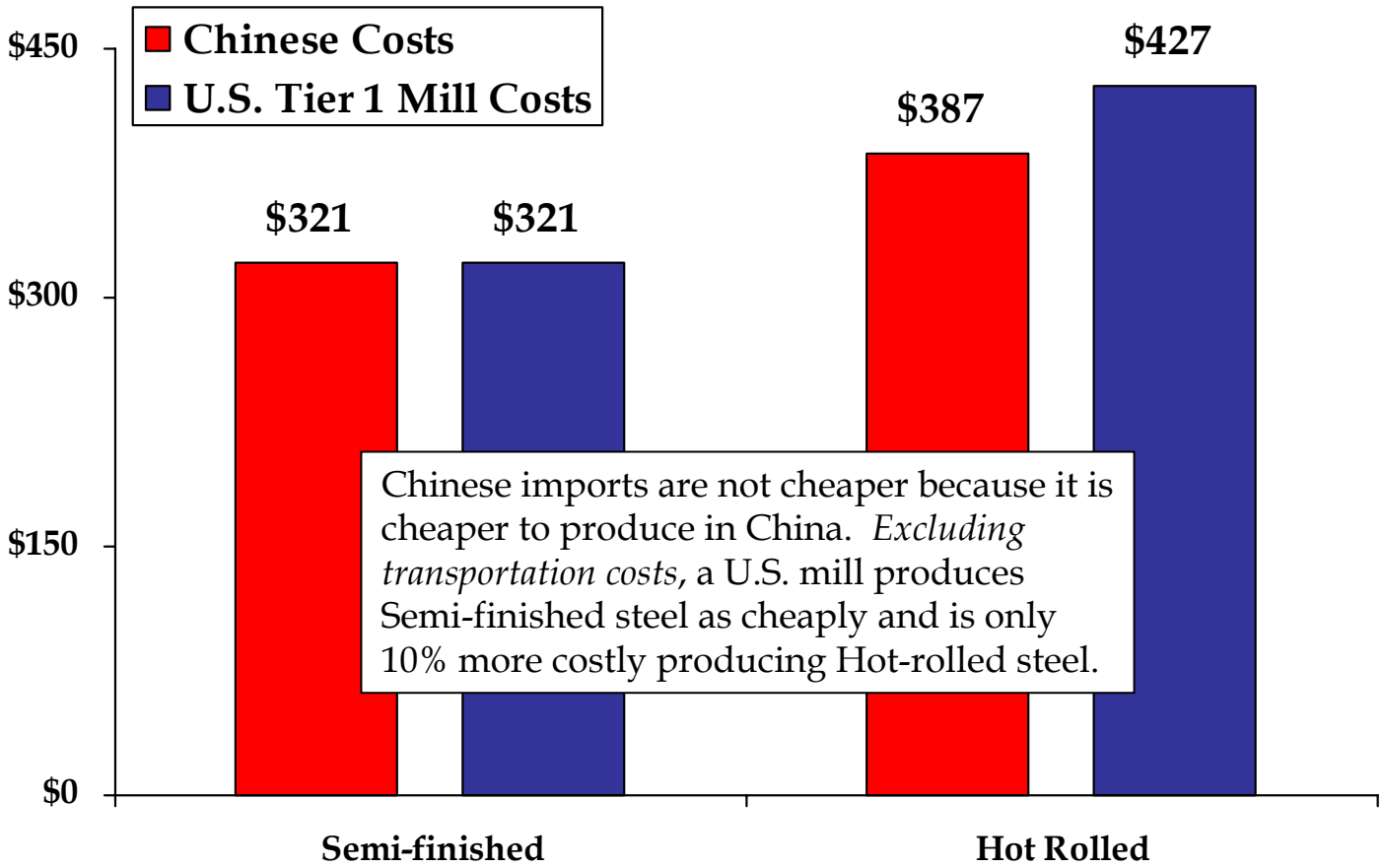
## Selected Products




In certain products China's production is very imbalanced - leading to aggressively target the export market.

Source: World Steel Dynamics Core Report VVVV November 2006. Table 12, pages 67 - 72.

# China vs. U.S. Cost Comparison




Source: World Steel Dynamics Core Report VVVV November 2006. Pages 177 & 178.


# Capital Expenditures

Leo Gerard & Tom Conway

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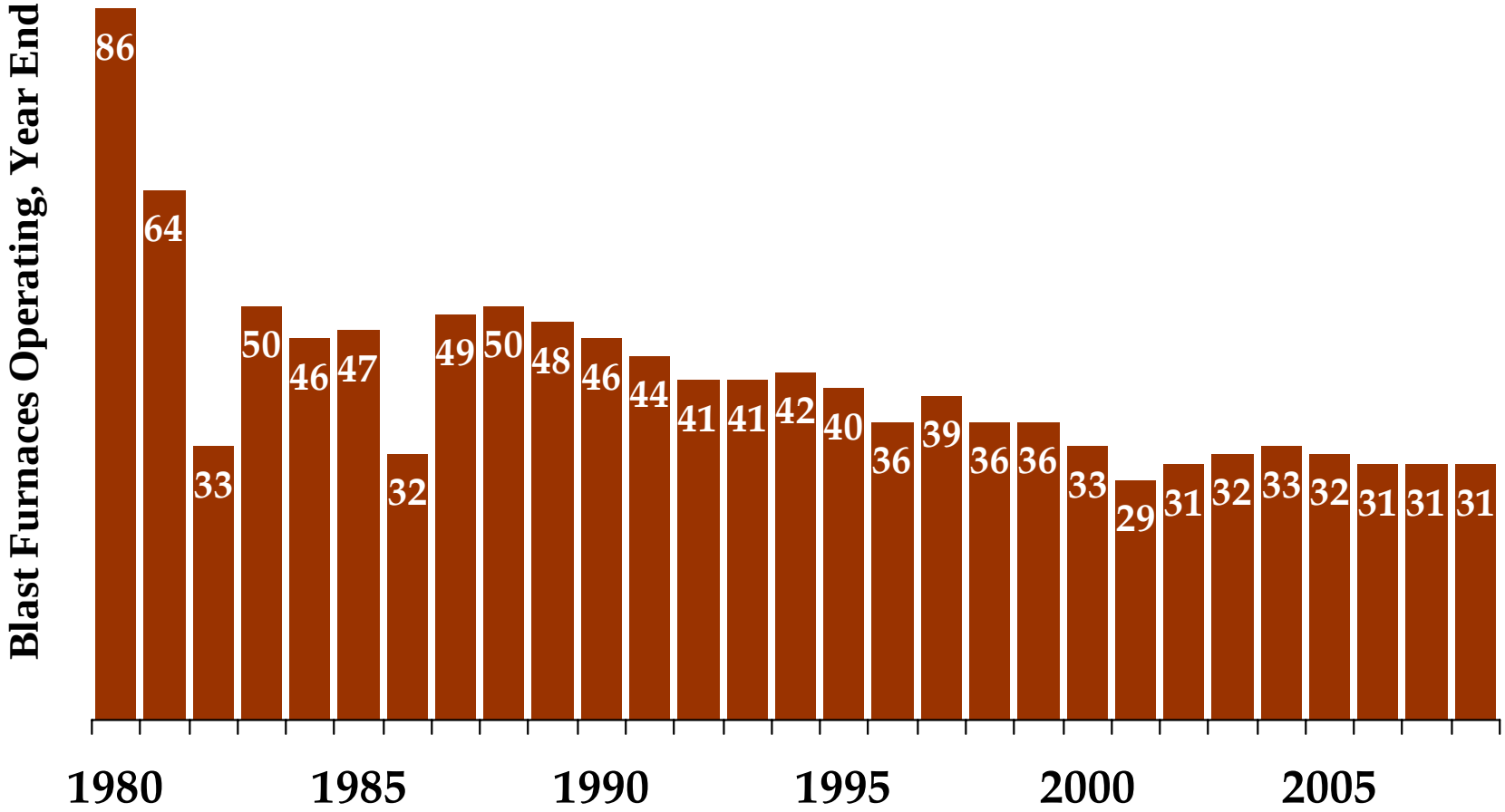
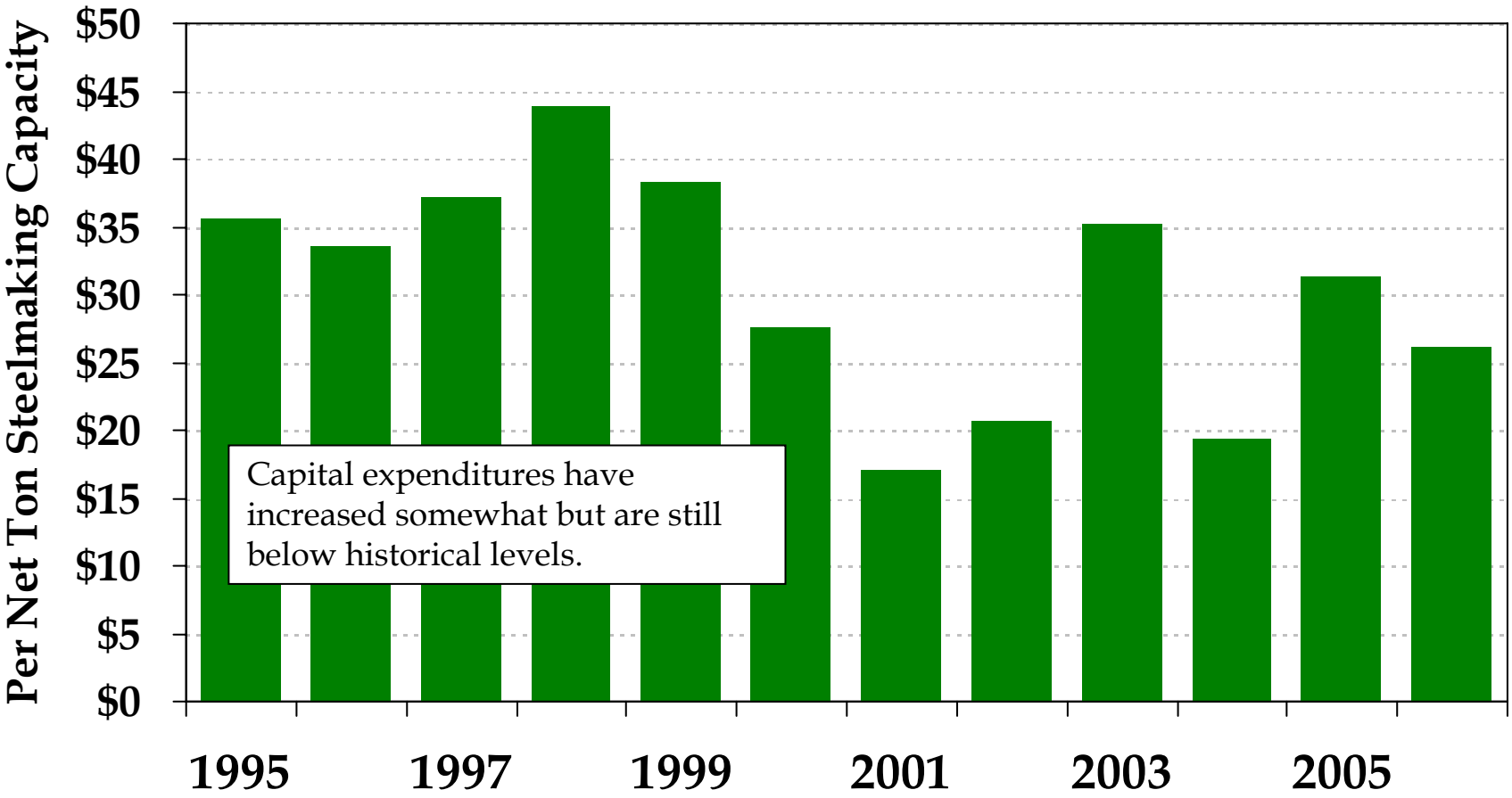
# Operating Blast Furnaces

United States




Source: American Iron Ore Association and World Steel Dynamics.

# Capital Investment Per Ton




Note: Capital expenditures per net ton raw steel production by AISI reporting companies.
Source: *Annual Statistical Report,* American Iron and Steel Institute.


# The North American Iron Ore Industry

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# State of the North America Iron Ore Industry

- Demand for North American iron ore continues to rise (up 12% since 2003).
- Global pricing has increased by 149% over 2002 prices, while U.S. pricing has increased 53%.
- China is the driver as its demand has increased from 69 million Long Tons to 326 million Long Tons.
- The Big 3 producers (CVRD, Rio Tinto and BHP Billiton) planned to add 75 million tons in 2007. By 2010 they will add an additional 100 to 125 million tons.

# Iron Ore Capacity Consolidation

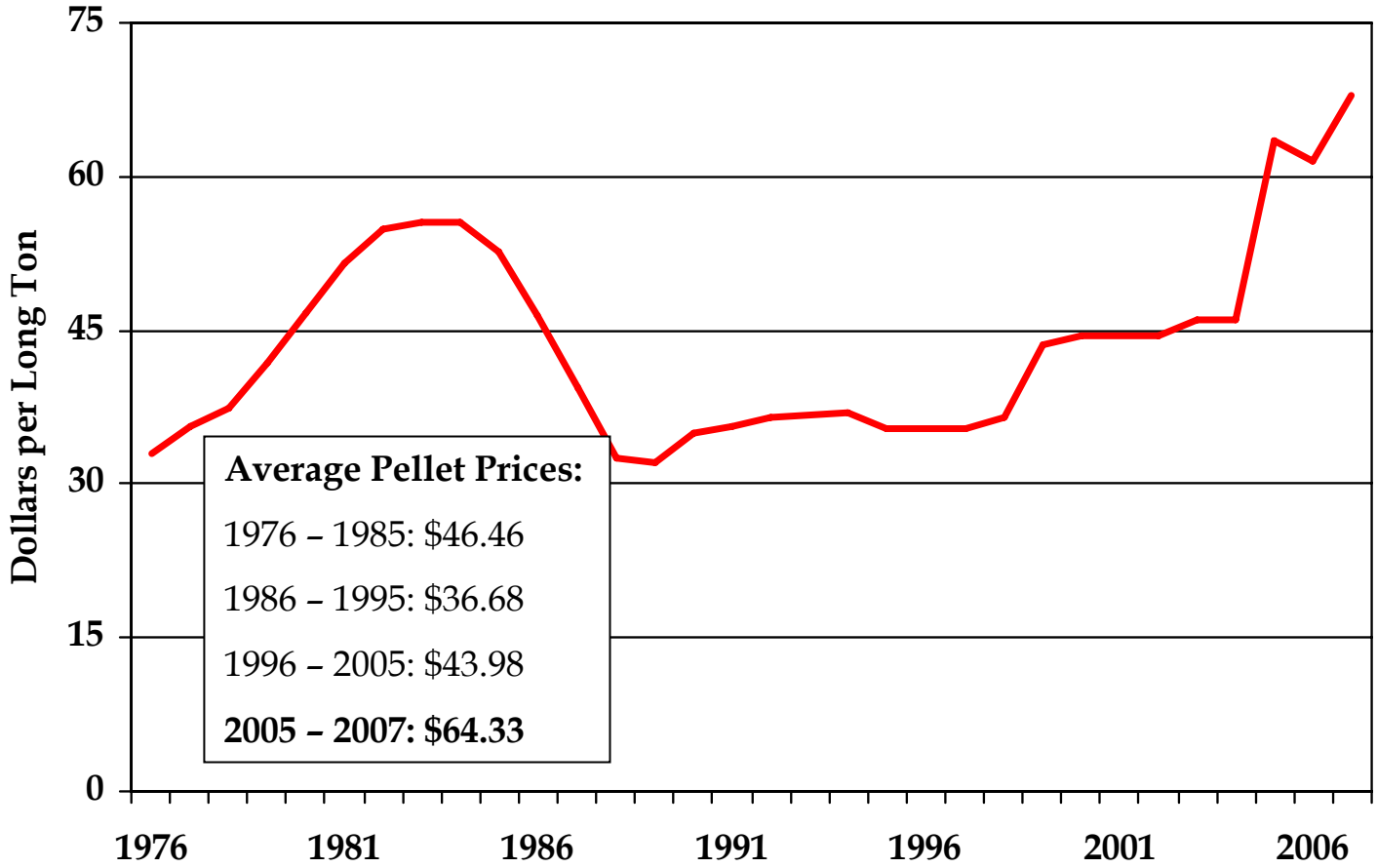
## North America

| Company | Capacity million Long Tons/year | Share of Equity Capacity |
|---|---|---|
| Mittal | 28.3 | 30% |
| US Steel | 24.4 | 26% |
| Cleveland-Cliffs | 23.1 | 25% |
| Rio Tinto | 9.4 | 10% |
| Mitsubishi | 4.2 | 4% |
| LIORI Fund | 2.4 | 3% |
| Laiwu Steel | 1.8 | 2% |
| Others | 0.5 | 1% |
| Total Top 3 | 75.8 | 81% |
| Total | 94.1 | 100% |

Source: World Steel Dynamics Steel Strategist #33, September 2007. Exhibit U (6c of 11), page 356.

# U.S. Pellet Prices

1976 - 2007




Source: World Steel Dynamics.

# Life Expectancy of Iron Ore Capacity

| Location | Mine | Published Exhaustion Date | Exhaustion Date, adjusted for current prices |
|---|---|---|---|
| **Minnesota** | Minorca | 2015 | 2022 |
| | Keewatin Tac. | 2020 | 2035 |
| | United Tac. | 2020 | 2030 |
| | Hibbing Tac. | 2029 | 2035 |
| | Minntac | 2040 | 2055 |
| | Northshore | 2081 | 2090 |
| **Michigan** | Empire | 2008 | 2015 |
| | Tilden | 2041 | 2060 |
| **Canada** | Wabush Mines | 2015 | 2020 |
| | Quebec Car. | 2020 | 2035 |
| | Iron Ore Co. | 2045 | 2070 |

Analysts believe that with high current pricing, the life expectancy of reserves will be increased by 11 years for U.S. mines and 15 years for Canadian mines.

Source: World Steel Dynamics Steel Strategist #33, September 2007. Exhibit U (6b of 11), page 356.

# Future Advances in Iron Ore Production

- World Steel Dynamics reports that an experimental process to increase iron ore yield will become commercial sometime next year.
- Traditionally, the amount of iron within a pellet is limited due to the occurrence of oxygen.
- While Iron Nuggets are initially processed in a similar fashion as pellets, they are chemically reduced by the firing process.
- The additional processing increases the amount of iron present in a nugget to 95%, as opposed to only 65% in a pellet.
- Steel Dynamics is the driving force behind this process and environmental permits have been filed at the old LTV mine. Cleveland-Cliffs had been a partner in this project but dropped out and is planning a nugget plant at its Empire mine.
- The new technology is seen not as a replacement for pellets but instead will be marketed to EAFs.