

CRU'S MONTHLY REVIEW OF US Steel Sheet Markets

May 2009

The prices:

CRU's definitive assessments of HR coil prices this month (source: CRU Indices Ltd.):

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|------------------------|---------------|------------------------|---------------|
| • May 6 th | US\$403/s.ton | • May 13 th | US\$395/s.ton |
| • May 20 th | US\$384/s.ton | • May 27 th | US\$381/s.ton |
| • Average | US\$391/s.ton | | |

Definition:

- Spot purchases, for forward delivery
- fob Midwest (East of the Rockies) mill
- Base price for commercial quality material
- Extras, delivery charges and taxes excluded
- Raw materials surcharges included

Methodology/procedures:

- Prices published weekly
- Prices refer to actual transactions in previous week
- Data providers span the entire supply chain
- Verifiable price and volume data submitted
- Prices calculated as weighted average of submissions

The analysis:

Based upon the in depth analysis contained in the May 2009 CRU Steel Sheet Products Monitor.

The downward trend in US sheet prices may have slowed during the past month, but it has remained consistent from one week to the next, bringing the average for HR coil in the US Midwest to US\$391/s.ton in May, US\$32/s.ton below levels a month ago. Though scrap prices have edged upwards, mills have been unable to pass the US\$20/long ton gains on to customers, as local demand has continued to shrink.

Mill shipments, which fell over 50% year-on-year in the first quarter, have clearly been affected by the ongoing downturn in US manufacturing activity, that in automotive production in particular, but the de-stocking tendencies of local distributors have had an even greater impact. Latest numbers show that stocks of carbon flat-rolled products held at US service centres fell again in April and by 41% since last September's peak. Service-centre shipments to end-users have been declining by a similar degree (down 43% year-on-year through the first four months) though the good news for mills hoping for a turnaround is that stock/shipment ratios have at least been falling since March. Furthermore, the acuteness of the de-stocking trend during the past eight months has led to the conclusion, among mills and distributors alike, that purchasing activity could start to recover as early as June, providing a boost to mill orders.

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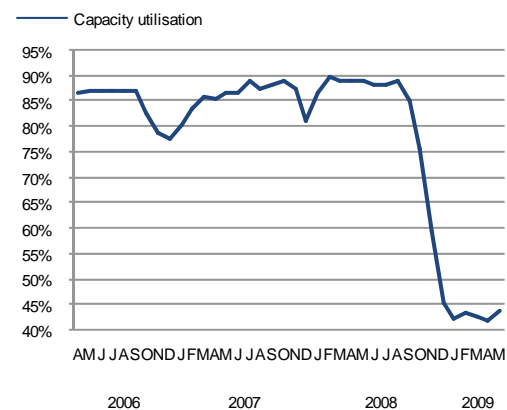
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The increasingly positive noises from service centres, combined with recent data confirming the speed of contraction in manufacturers' orders slowed again in May, has clearly encouraged mills to increase production during the past month (see capacity utilisation chart below). Though major suppliers US Steel and Severstal USA have decided to idle yet more facilities – US Steel has idled steelmaking at Fairfield, leaving just two of seven sites operating – mills in general have added to market supply at a time when it needs to be cut yet further. If mills are to succeed in pushing prices back above US\$400/s.ton and beyond, more discipline may be required.

US raw steel production as percentage of installed capacity

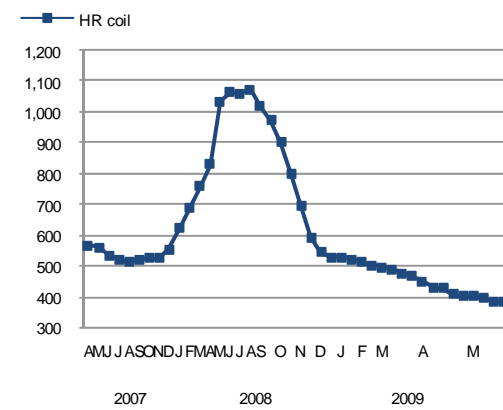
US raw steel production as a % of installed capacity⁽¹⁾



Data: AISI, CRU Analysis. Note: (1) average monthly level.

Hot-rolled coil prices, fob Midwest mill

US HR coil price, fob Midwest mill, nominal, US\$/s.ton



Data: CRU Indices Ltd.

The contacts:

For more on **the prices**, please contact:

Glenn Cooney
 CRU Indices
 E: glenn.cooney@crugroup.com
 T: +44 (0)20 7903 2056

For more on **the analysis**, please contact:

Paul Scott
 CRU Analysis
 E: paul.scott@crugroup.com
 T: +44 (0)20 7903 2185

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