Worthington Industries

Mill Producers Report

NCSPA Annual Meeting
Bonita Springs 2016

WORTHINGTON INDUSTRIES

NCSPA
STEEL: PROVEN 100-YEARS STRONG

Agenda

Global Economy

- Imports/Trade Cases/China

Consumption

- Capacity Leveling
  - AK Steel/U.S. Steel/ArcelorMittal/Mini Mills

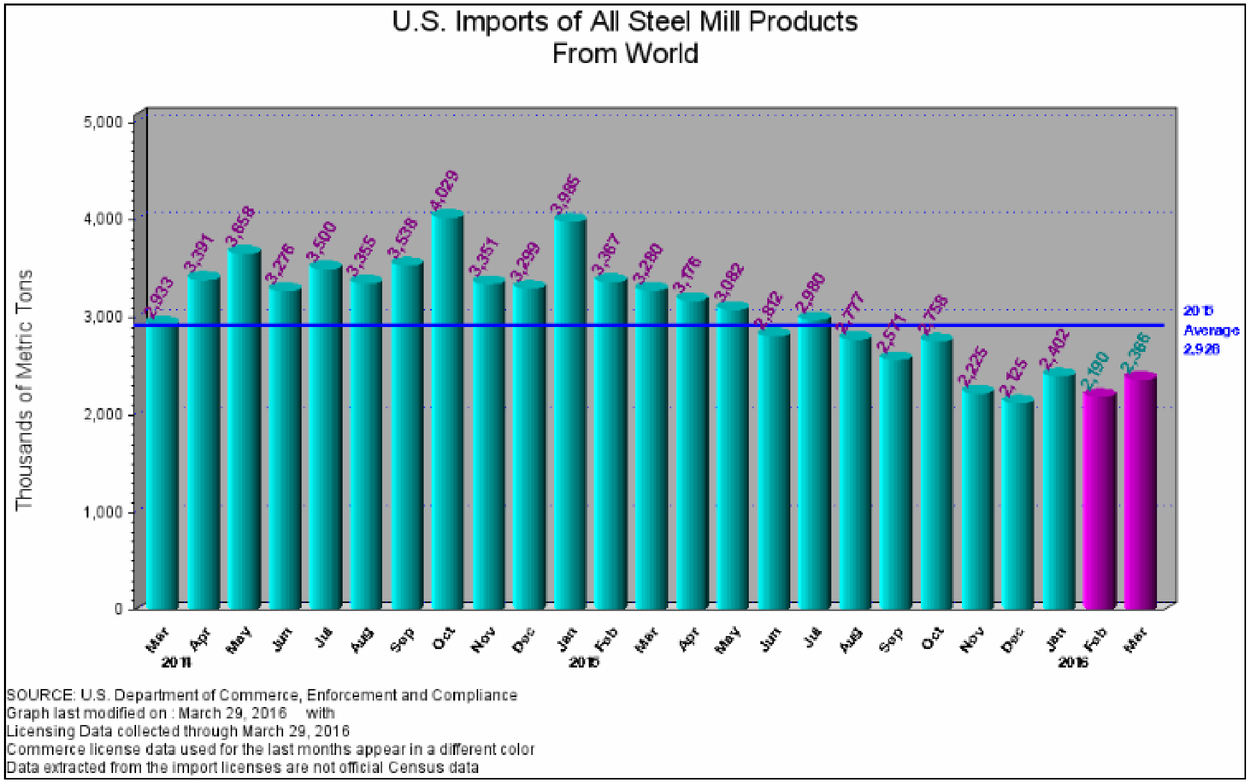
Raw Materials

- Scrap/Iron Ore/Zinc

Prices

- HRC/CRC/Galvanized
- Futures

Global Economy - Imports



Import Facts

- January 2016 steel imports were down 39.7% from January 2015 and down 18% from the 2015 average monthly volume of 2.93 million metric tons
- Steel mill imports in January were down 40.4% from the most recent high import volume peak in October 2014
- In 2015, U.S. imports of steel mill products totaled 35.1 million metric tons, a 12.6% decrease from 40.2 million metric tons in 2014

Global Economy – Trade Cases

Corrosion Resistant
December 22, 2015
U.S. DOC Preliminary
Antidumping Duties

- China @ 255.80%
- India @ 6.64–6.92%
- Italy @ 0-3.11%
- Korea @ 2.99-3.51%
- Taiwan @ 0%

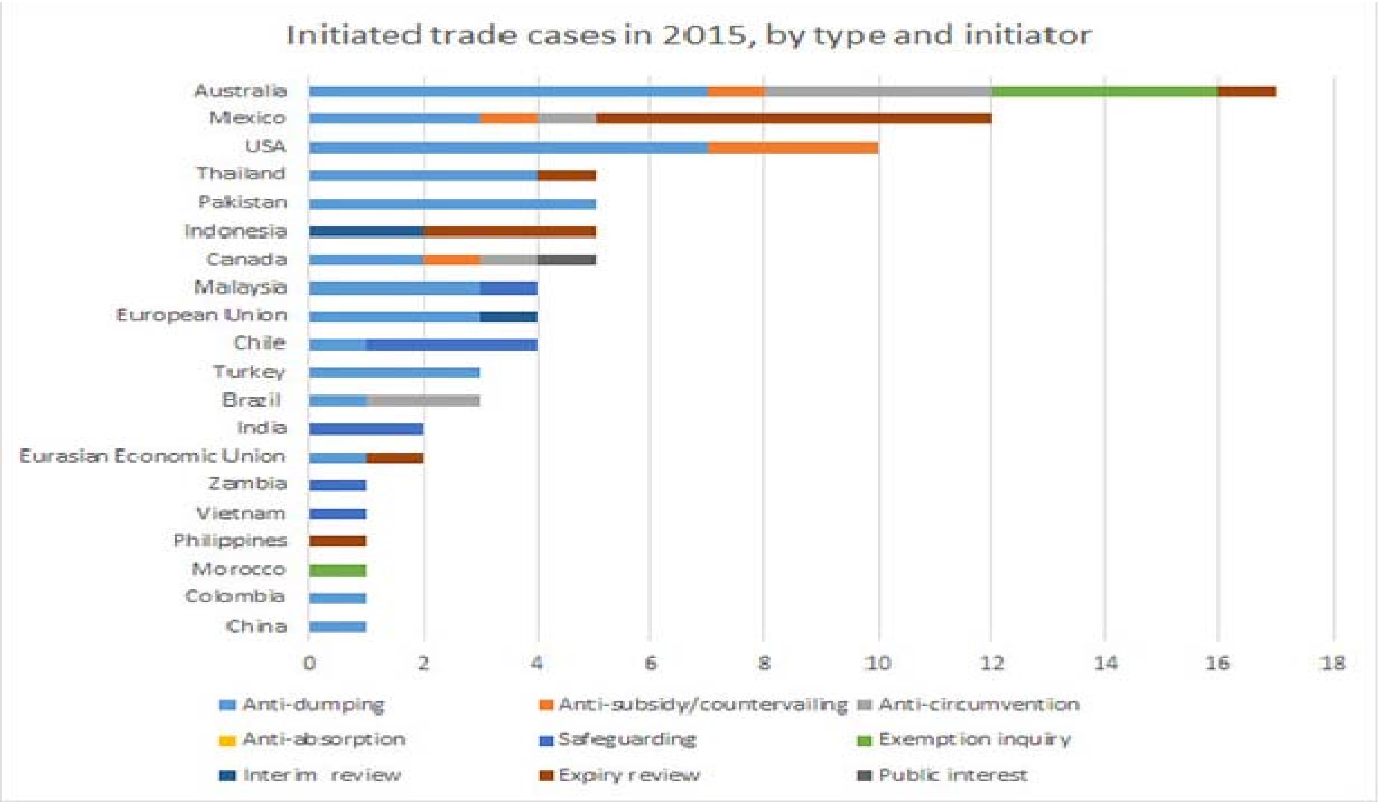
Cold Roll
March 1, 2016
U.S. DOC Preliminary
Antidumping Duties

- China @ 265.79%
- Brazil @ 38.93%
- Japan @ 71.35%
- India @ 6.78%
- Russia @ 12.62-16.89%
- Korea @ 2.17-4.53%
- UK @ 12.62-31.39%

Hot Roll
March 15, 2016
U.S. DOC
Preliminary
Antidumping Duties

- South Korea @ 4-7%
- UK @ 49%
- Netherlands @ 5%
- Turkey @ 5-7%
- Australia @ 23%
- Brazil @ 34%
- Japan @ 7-11%

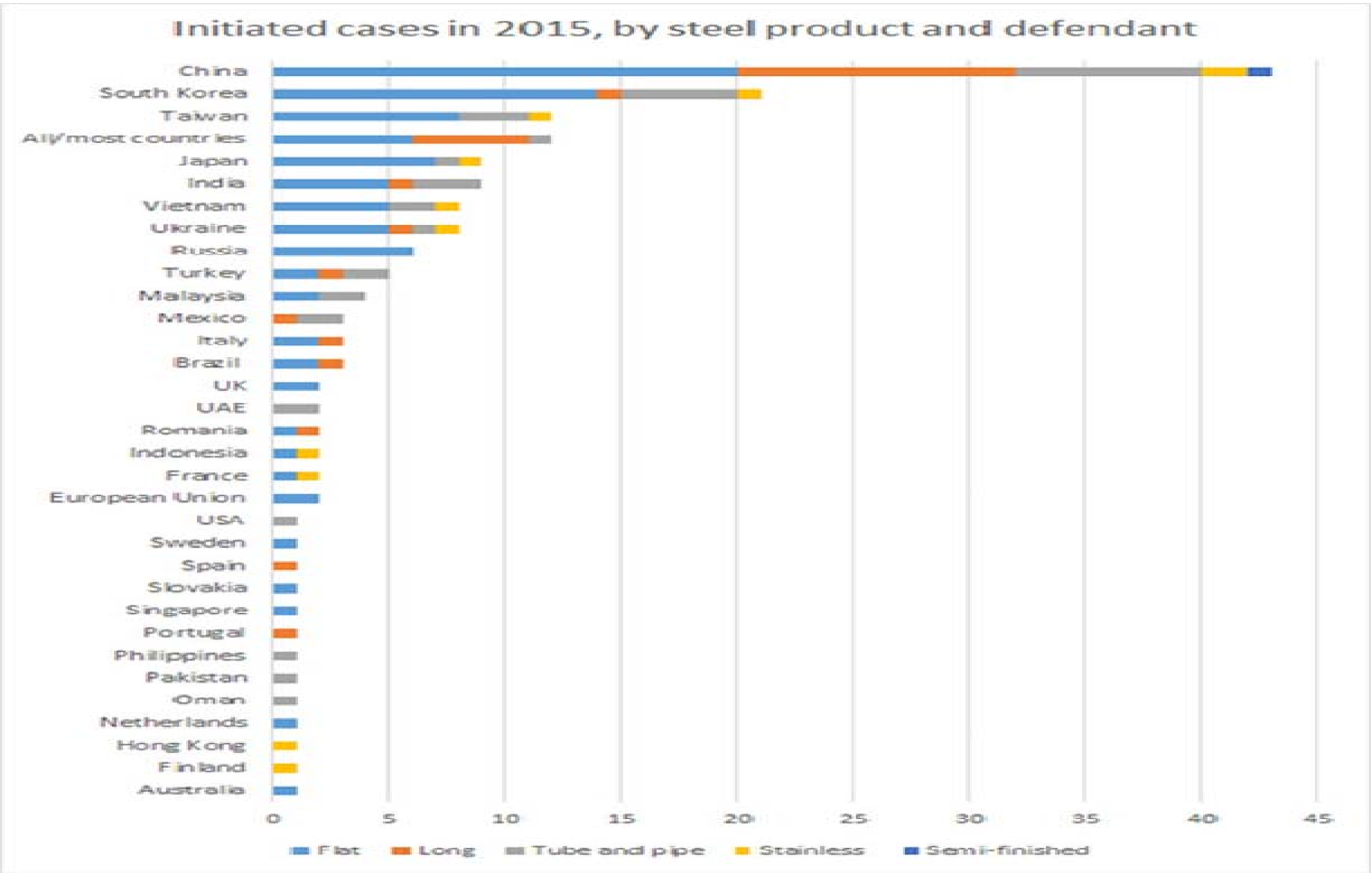
Global Economy – Trade Cases



Trade Cases by the Numbers

- A total of 87 trade cases were initiated in 2015, according to Steel First's calculations, including anti-dumping, anti-subsidy or countervailing, anti-circumvention, anti-absorption, safeguarding, exemption and public interest inquiries, as well as interim and expiry reviews
- Australia was the most active, producing 4.542 million tonnes of crude steel in Jan. – Nov. 2015, compared to 16.789 million tonnes in Mexico & 73.139 in the USA

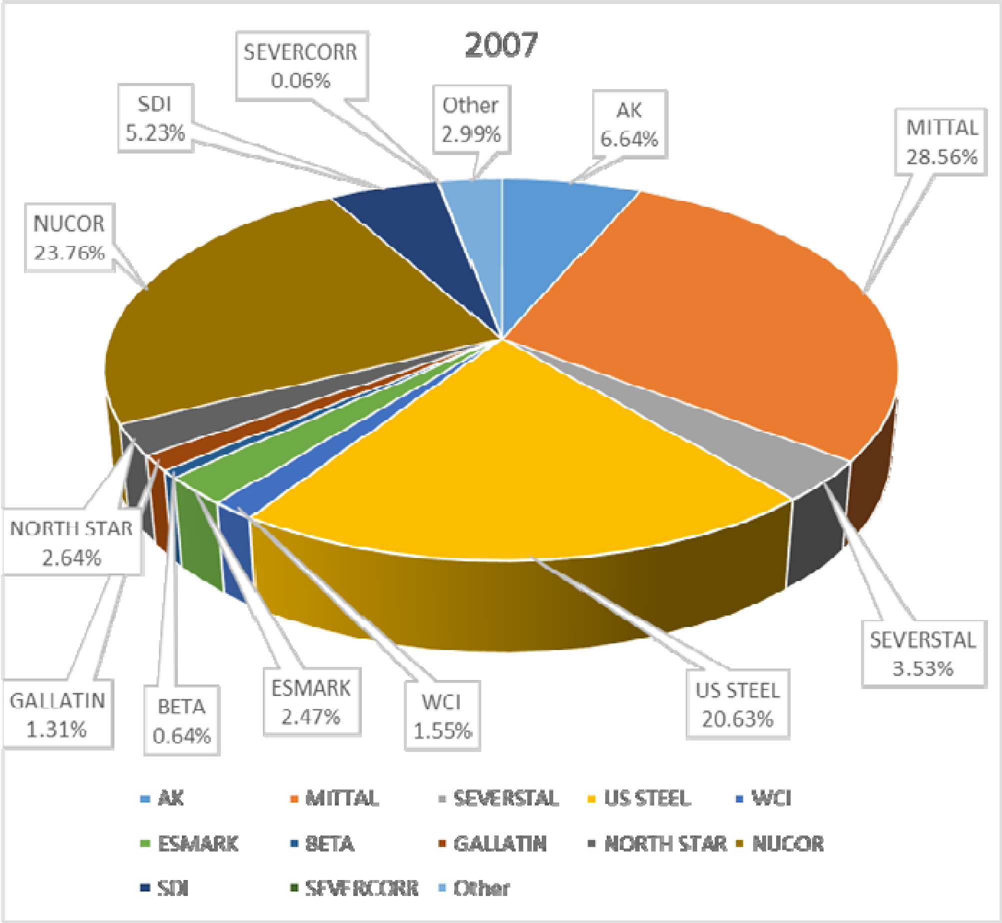
Global Economy – China

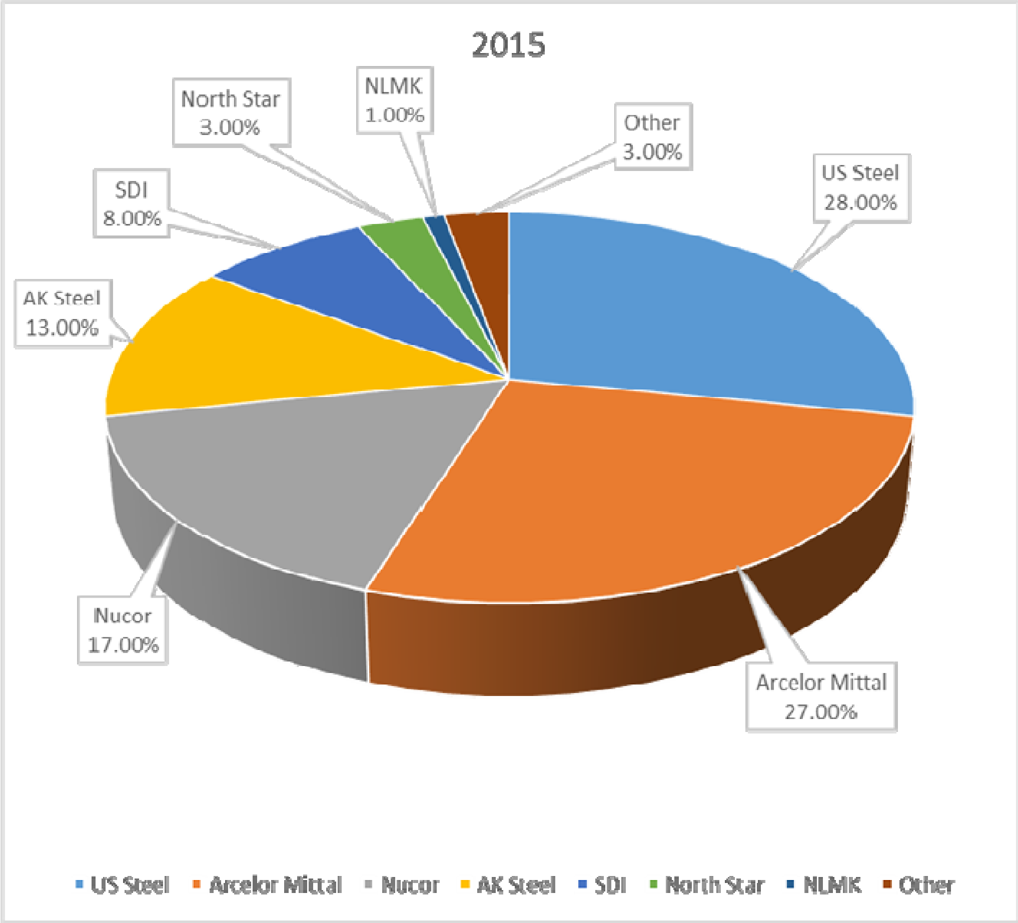


Why China

- China was the main target of trade defense actions. The country was a defendant in nearly half, or 43, of all the trade cases. In turn, nearly half of these involved flat steel
- China produced 801 million metric tonnes in 2015, almost half of the world total @ 1,612 million metric tonnes. The USA produced 78.8 million metric tonnes
- China is looking to cut crude steel production capacity by 100-150 million tonnes and reduce the size of the coal industry to fight a capacity glut

United States Steel Making Capacity





United States Steel Making Capacity

% of US Hot Mill FR Capacity

Supplier	2015 (F)	Rank	2009	Rank
US Steel	27%	1	25%	1
ArcelorMittal	27%	2	24%	2
Nucor	17%	3	13%	4
AK Steel	13%	4	9%	5
SDI	8%	5	3%	6
North Star	3%	6	3%	7
NLMK	1%	7	0%	
Severstal	0%	8	17%	3
Gallatin	0%	8	2%	8
Duferco	0%	8	1%	9
Other	3%		3%	
Total	**100%**		**100%**	

Consumption

WORLD**STEEL**DYNAMICS

USA Steel Consumption / Shipment Outlook

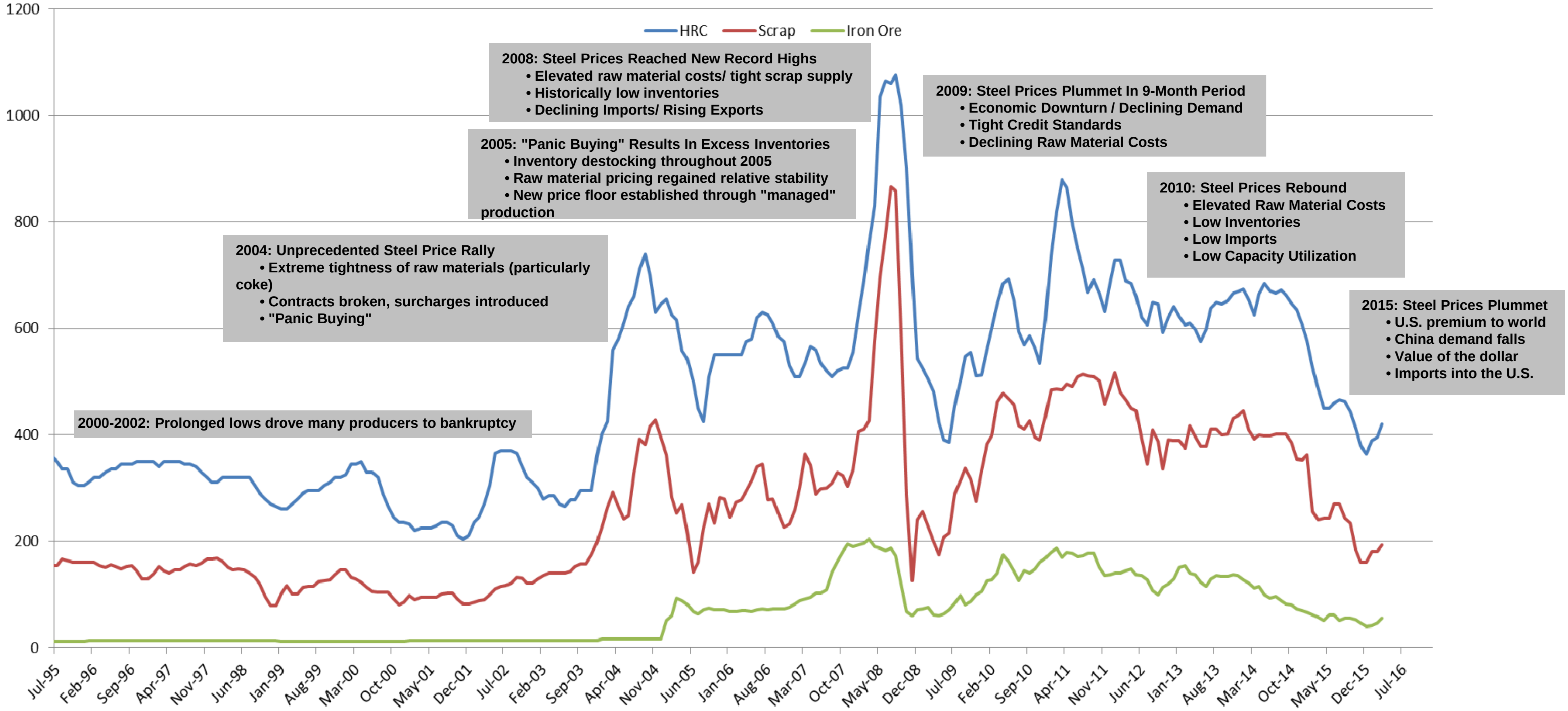
(million short tons)

	1995	2000	2005	2008	2009	2010	2011	2012	2013	2014	2015e	2016e
First quarter	24.9	28.6	27.1	27.5	13.3	20.5	22.5	25.4	23.6	23.9	22.0	22.0
Second quarter	24.4	28.5	25.6	27.7	13.5	21.7	22.3	24.7	23.8	24.9	22.0	23.0
Third quarter	24.0	27.3	25.7	26.2	16.8	20.8	23.7	23.5	24.5	25.4	22.2	23.3
Fourth quarter	24.2	24.7	26.6	17.1	18.6	20.4	23.4	22.3	23.5	24.1	20.3	22.5
Shipments	**97.5**	**109.1**	**105.0**	**98.5**	**62.2**	**83.4**	**91.9**	**96.0**	**95.4**	**98.2**	**86.5**	**90.8**
Plus: Imports	24.4	38.0	32.1	31.9	16.2	23.9	28.5	33.5	32.2	39.0	39.0	35.0
Less: Imported semis converted to finished products by AISI-reporting companies	5.0	8.6	6.9	5.9	2.0	5.1	6.7	7.6	7.3	7.5	7.5	7.2
Less: Exports	7.1	6.5	9.4	13.5	9.3	12.1	13.5	13.7	12.7	12.2	10.0	9.3
Subtotal: Apparent steel demand	109.8	131.9	120.8	111.0	67.1	90.1	100.3	108.0	107.6	117.6	108.0	109.3

What Now?

- U.S. Steel Fairfield permanent idle of blast furnace @ 2M tons annual capacity, building EAF
- U.S. Steel Granite City idled blast furnaces @ 3.4M tons annual capacity
- AK Steel Ashland idled blast furnace @ 2.0M tons annual capacity
- ArcelorMittal Indiana Harbor West idled hot strip mill to increase overall utilization

Pricing



1200
1000
800
600
400
200
0
HRC
Scrap
Iron Ore
2008: Steel Prices Reached New Record Highs
• Elevated raw material costs/ tight scrap supply
• Historically low inventories
• Declining Imports/ Rising Exports
2009: Steel Prices Plummet In 9-Month Period
• Economic Downturn / Declining Demand
• Tight Credit Standards
• Declining Raw Material Costs
2005: "Panic Buying" Results In Excess Inventories
• Inventory destocking throughout 2005
• Raw material pricing regained relative stability
• New price floor established through "managed" production
2010: Steel Prices Rebound
• Elevated Raw Material Costs
• Low Inventories
• Low Imports
• Low Capacity Utilization
2004: Unprecedented Steel Price Rally
• Extreme tightness of raw materials (particularly coke)
• Contracts broken, surcharges introduced
• "Panic Buying"
2015: Steel Prices Plummet
• U.S. premium to world
• China demand falls
• Value of the dollar
• Imports into the U.S.
2000-2002: Prolonged lows drove many producers to bankruptcy
Jul-95
Feb-96
Sep-96
Apr-97
Nov-97
Jun-98
Jan-99
Aug-99
Mar-00
Oct-00
May-01
Dec-01
Jul-02
Feb-03
Sep-03
Apr-04
Nov-04
Jun-05
Jan-06
Aug-06
Mar-07
Oct-07
May-08
Dec-08
Jul-09
Feb-10
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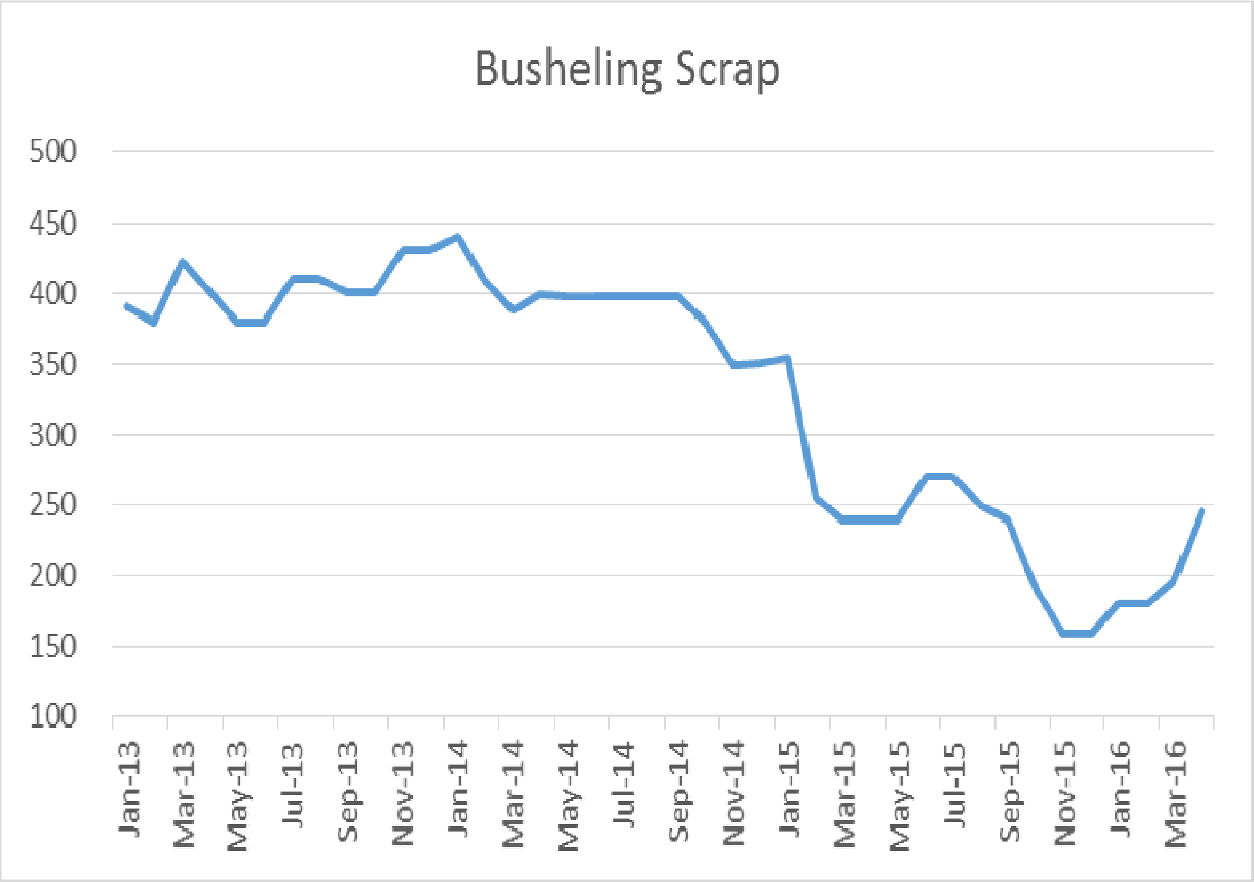
Nov-11
Jun-12
Jan-13
Aug-13
Mar-14
Oct-14
May-15
Dec-15
Jul-16

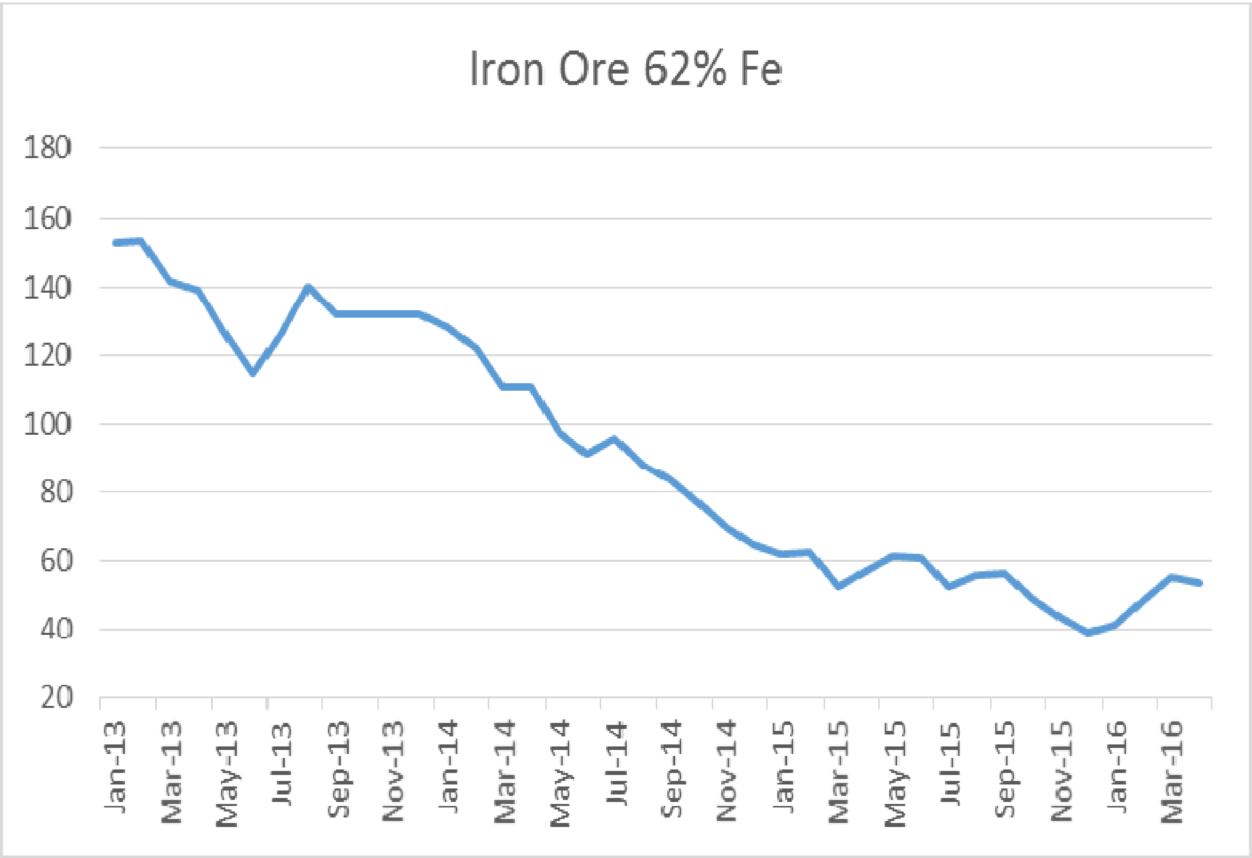
Raw Materials



Scrap

- Scrap is up over $60 from the start of the CY and continues to show strength at the start of Q2
- Mill producers did not expect scrap to increase this fast

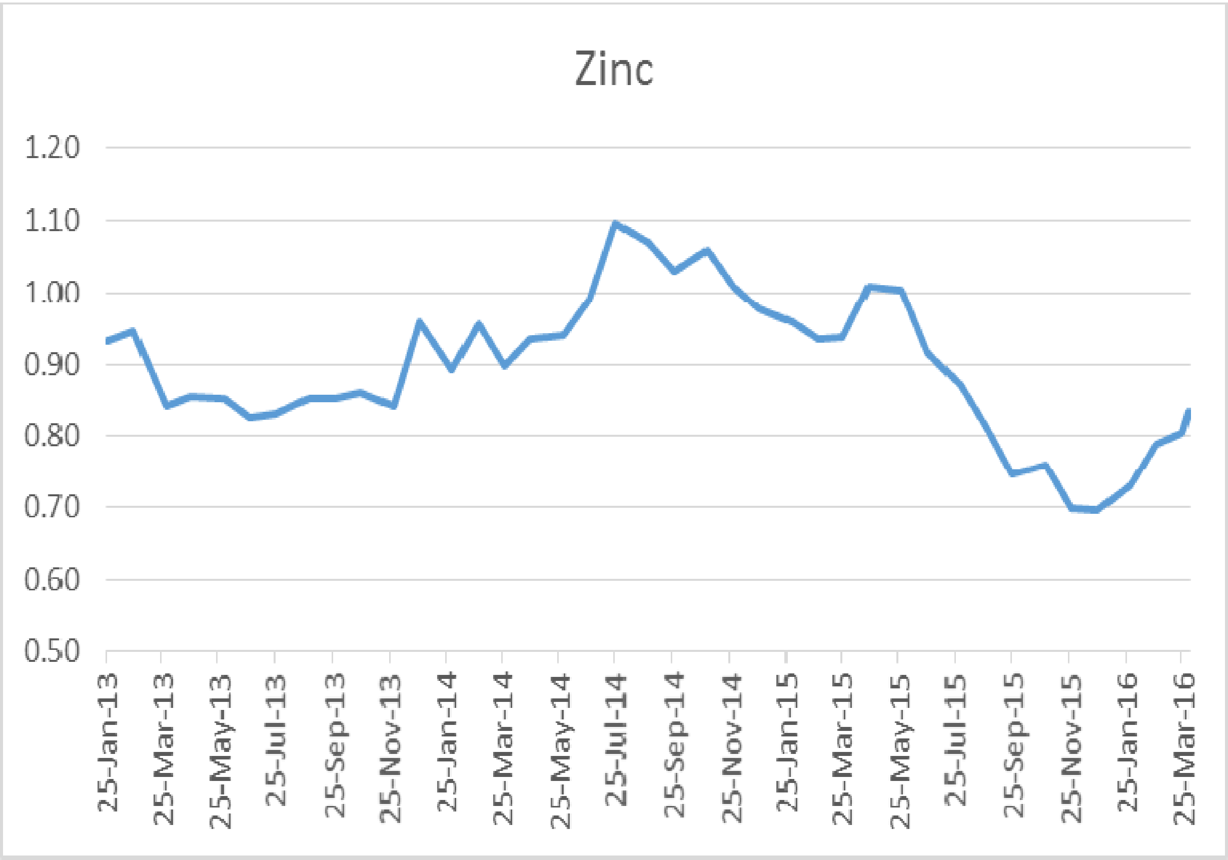
Raw Materials



Iron Ore

- Iron ore is up around $60 from the start of the CY, after a quick run up to $60 in early March, it has now settled
- The forward curve is in backwardation, near term @ $54 and December @ $43

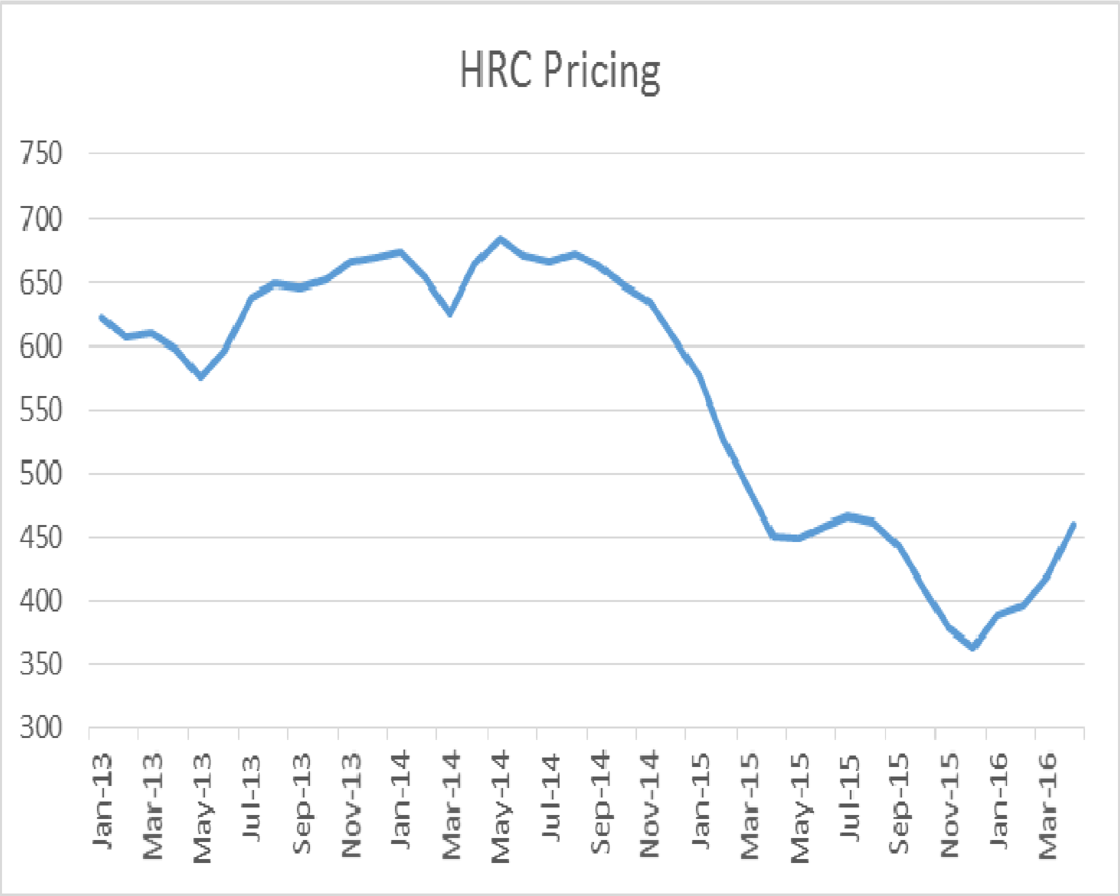
Raw Materials



Zinc

- Zinc is up around $0.13 from the start of the CY and expectations that this year remains strong
- The forward curve shows continued increases in CY16 and a flat to down CY17

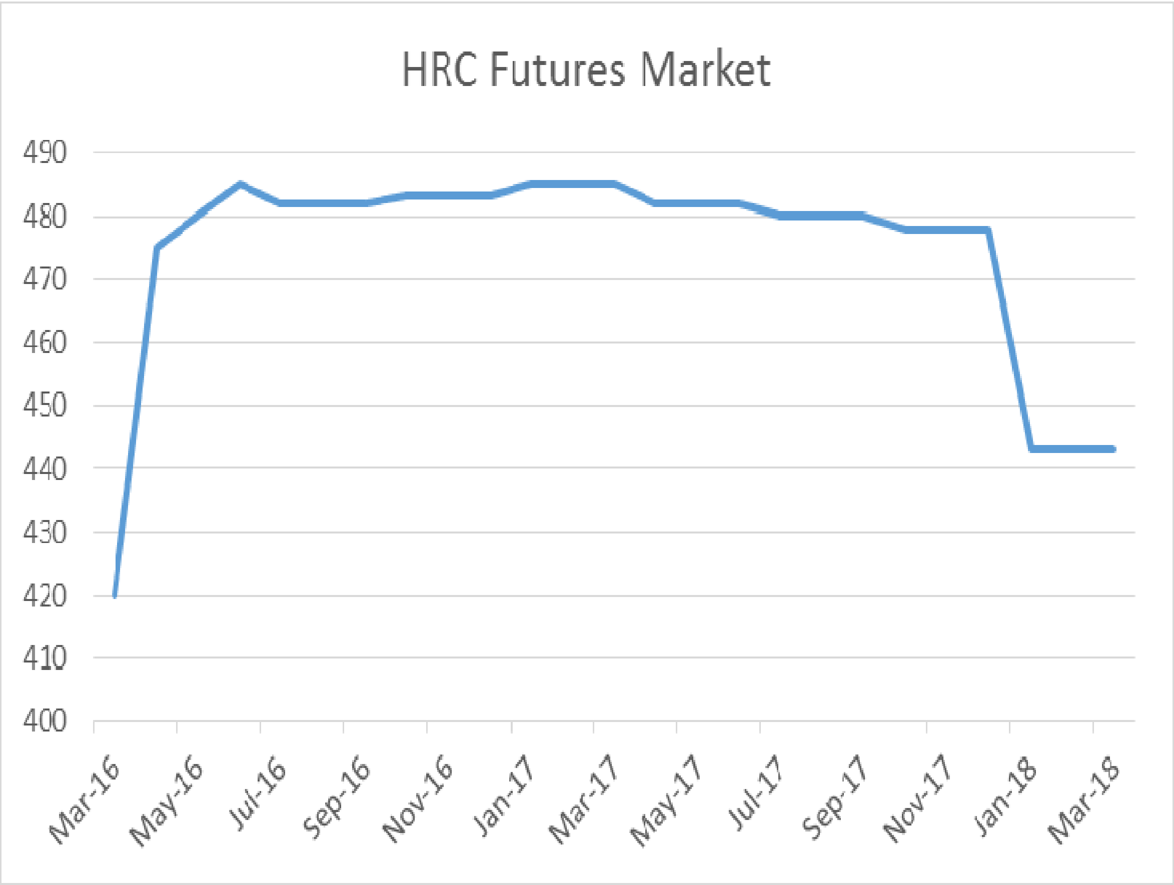
Flat Roll Pricing



Flat Roll Pricing

- HRC pricing is up over $70 from the start of the CY and continues to show strength through second quarter
- Mill producers have increased prices four times since December and…………
- Increase raw material costs, extended lead times and trade cases are supporting the price strength

Flat Roll Pricing



HRC Futures

- HRC futures market shows support for higher prices, CY16 balance of the year is being bid around $500, CY2017 is being bid around $507
- Prior to the pricing collapse in late 2014, the futures market was trading CY15 below spot pricing