

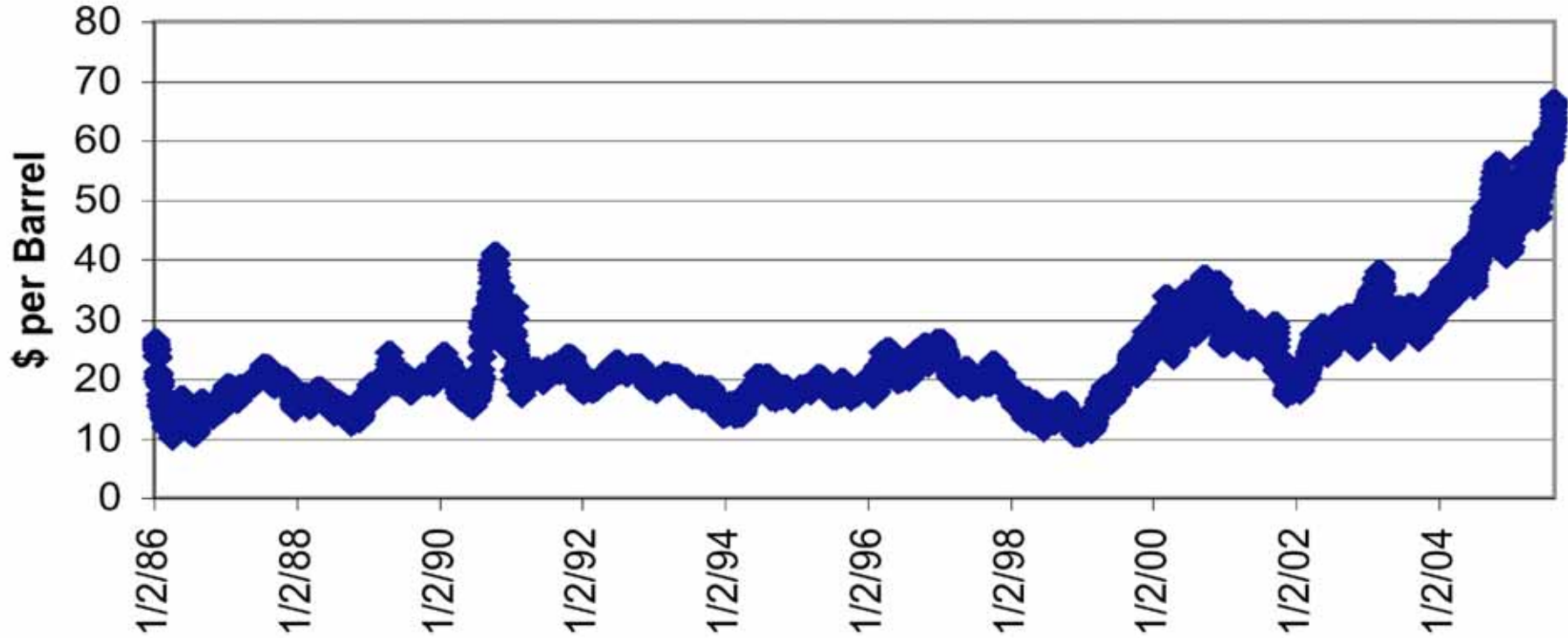
Outlook 2006

Raymond Monroe

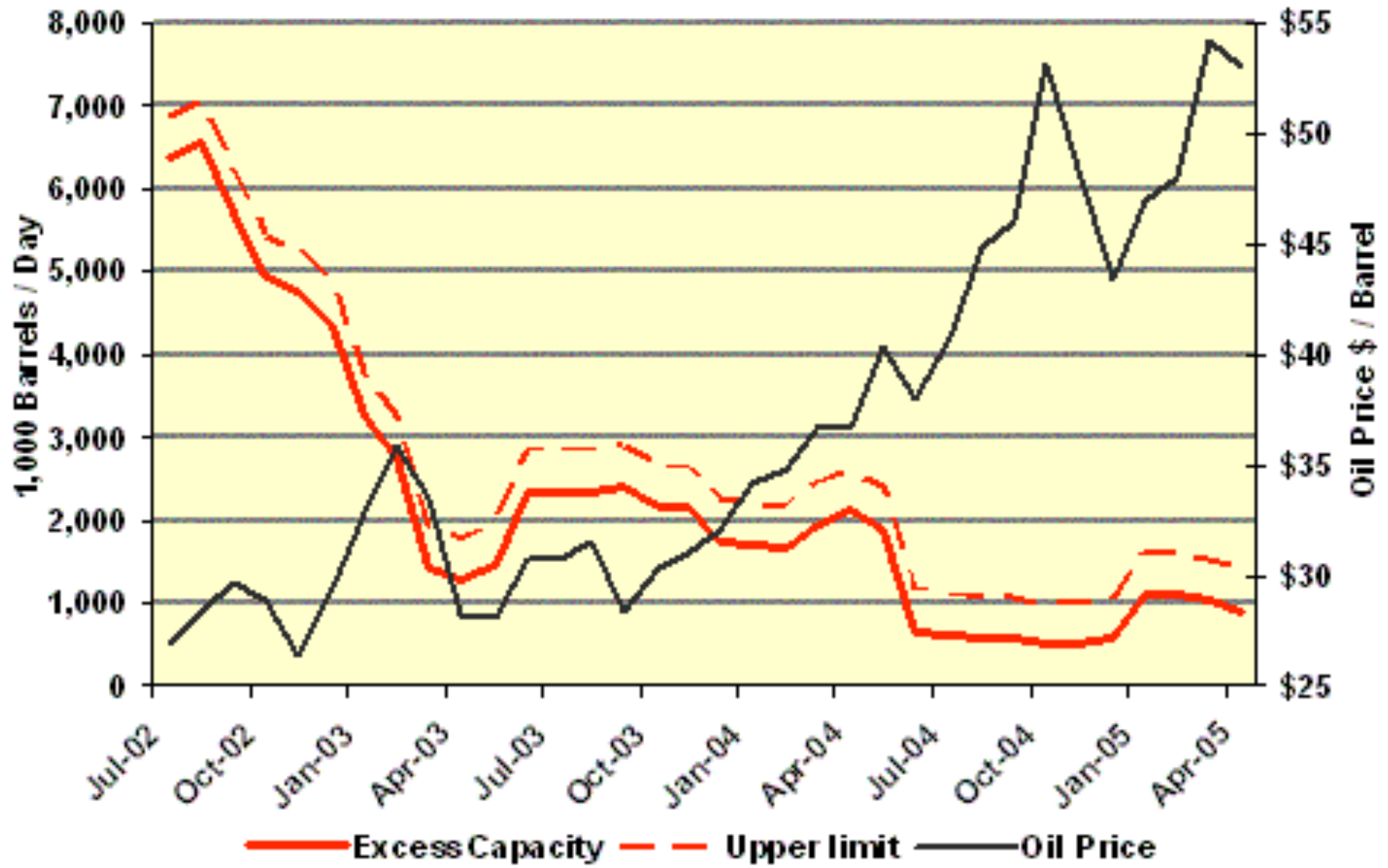


Crude Oil Prices

Crude Oil

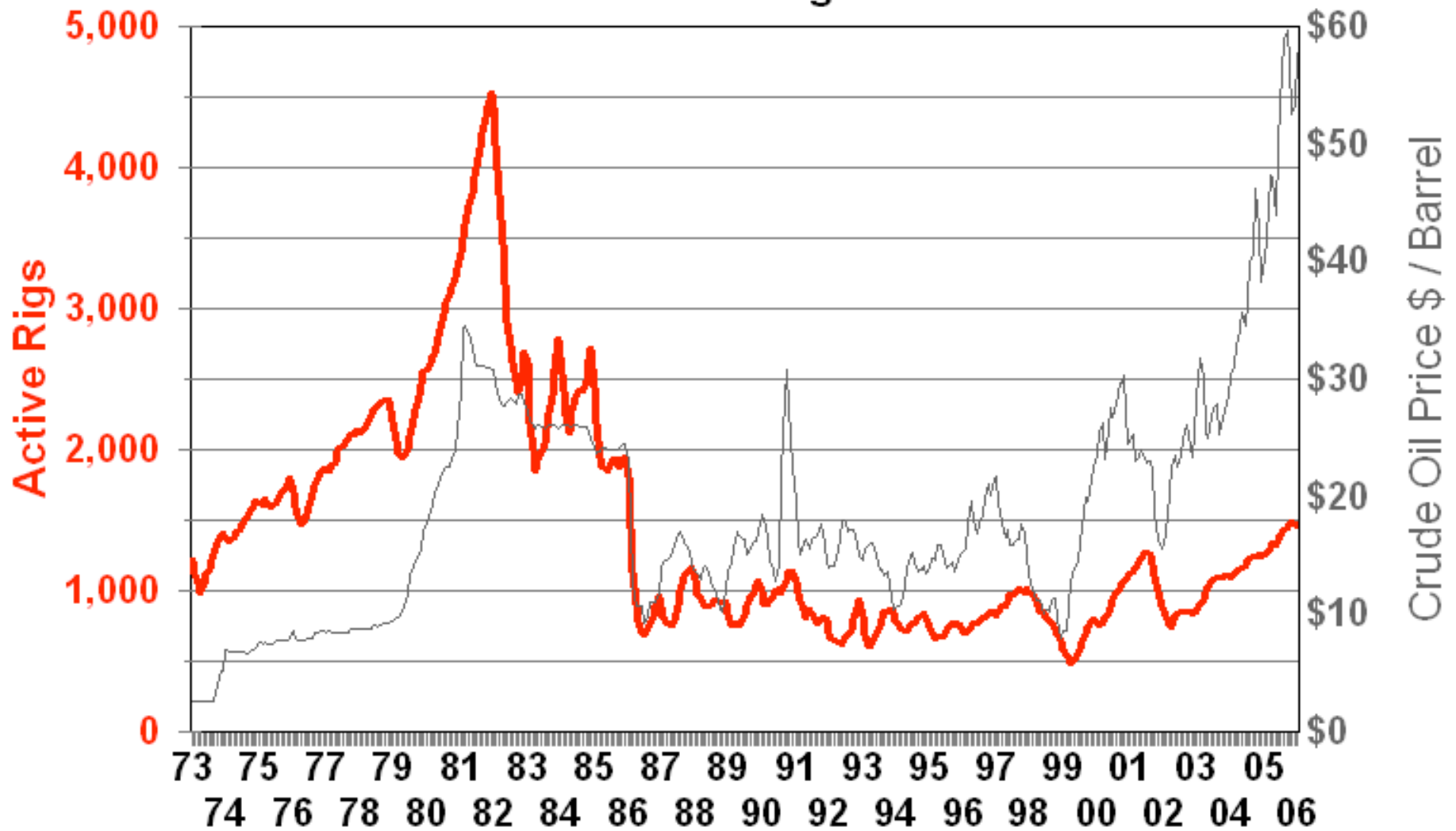


Excess Capacity OPEC Countries



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U. S. Rotary Rig Count Active Rigs



January 1973 - January 20, 2005

Sources: Baker-Hughes, Energy Information Administration (DOE), WTRG Economics

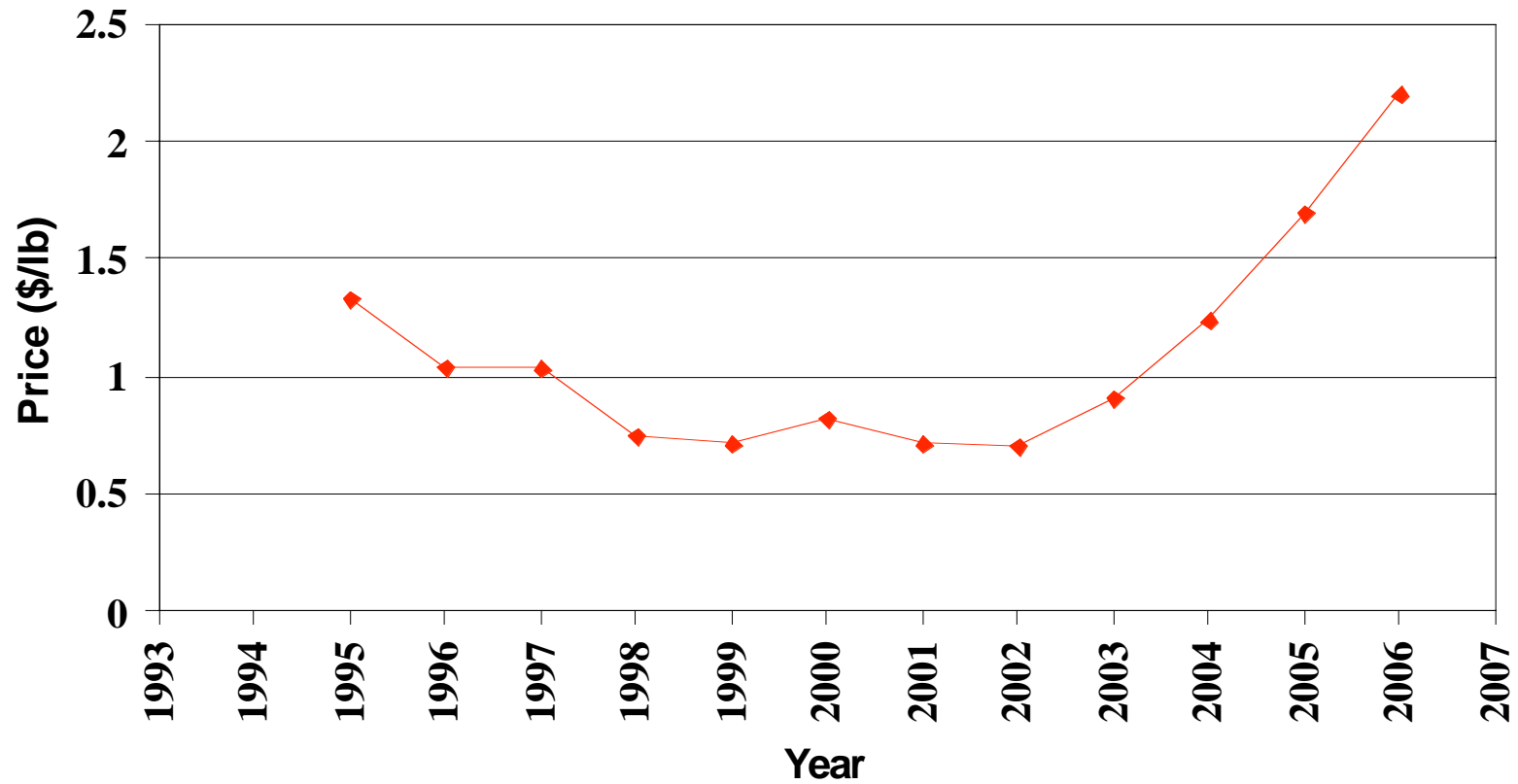
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Price of Copper

From London Metal Exchange

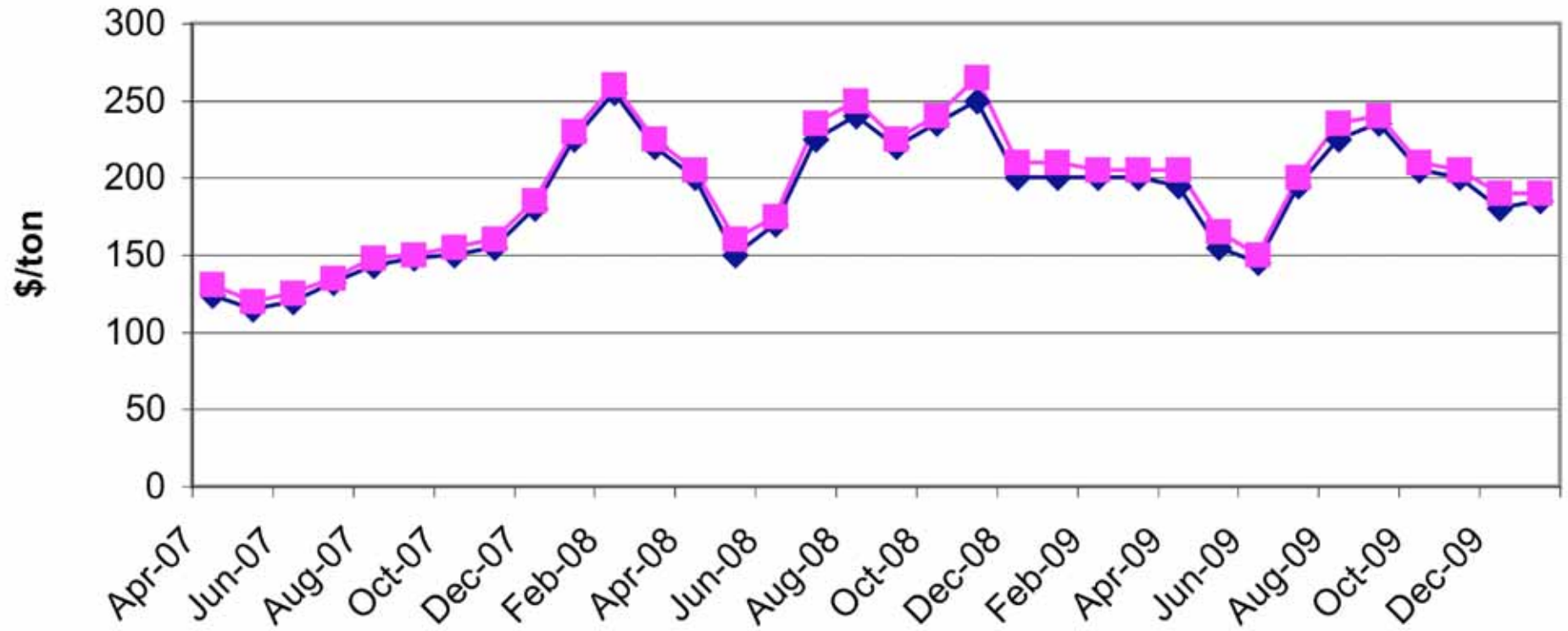


LME COPPER \$/LB

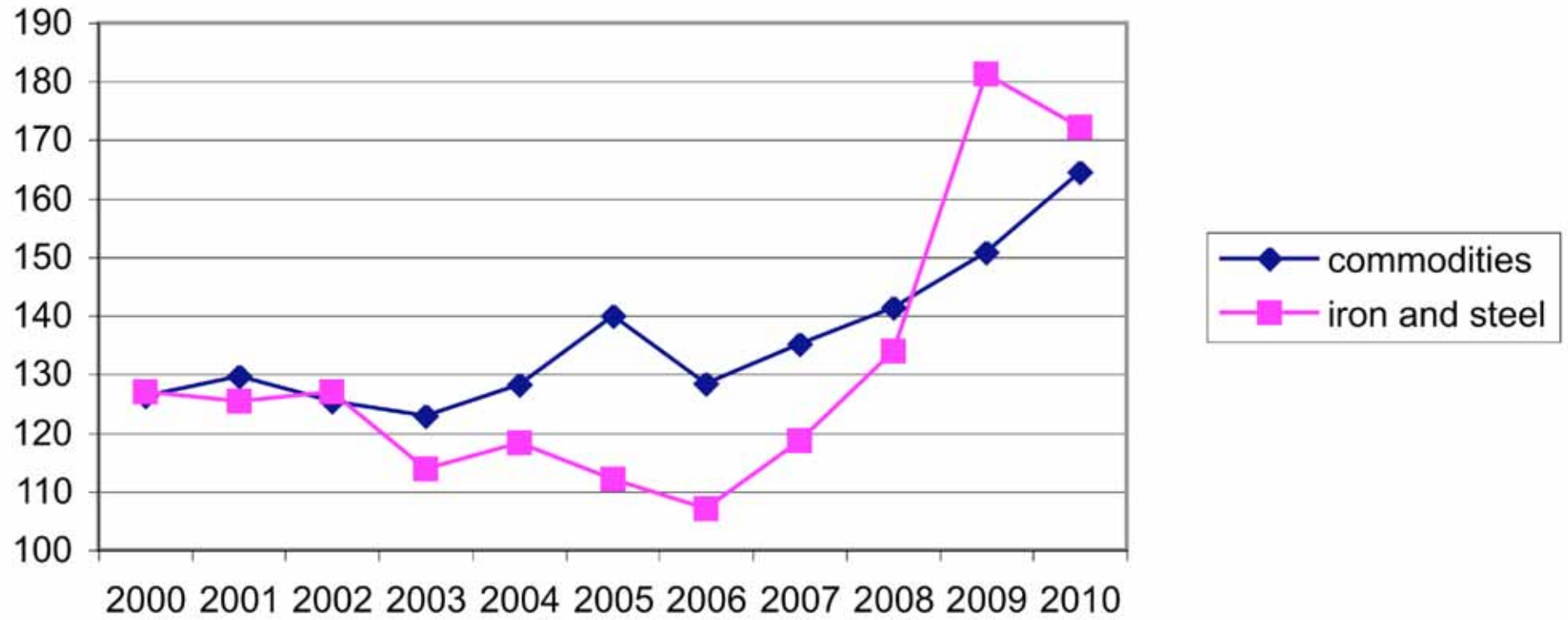


Feb 1, '06 - Mar 6, '06

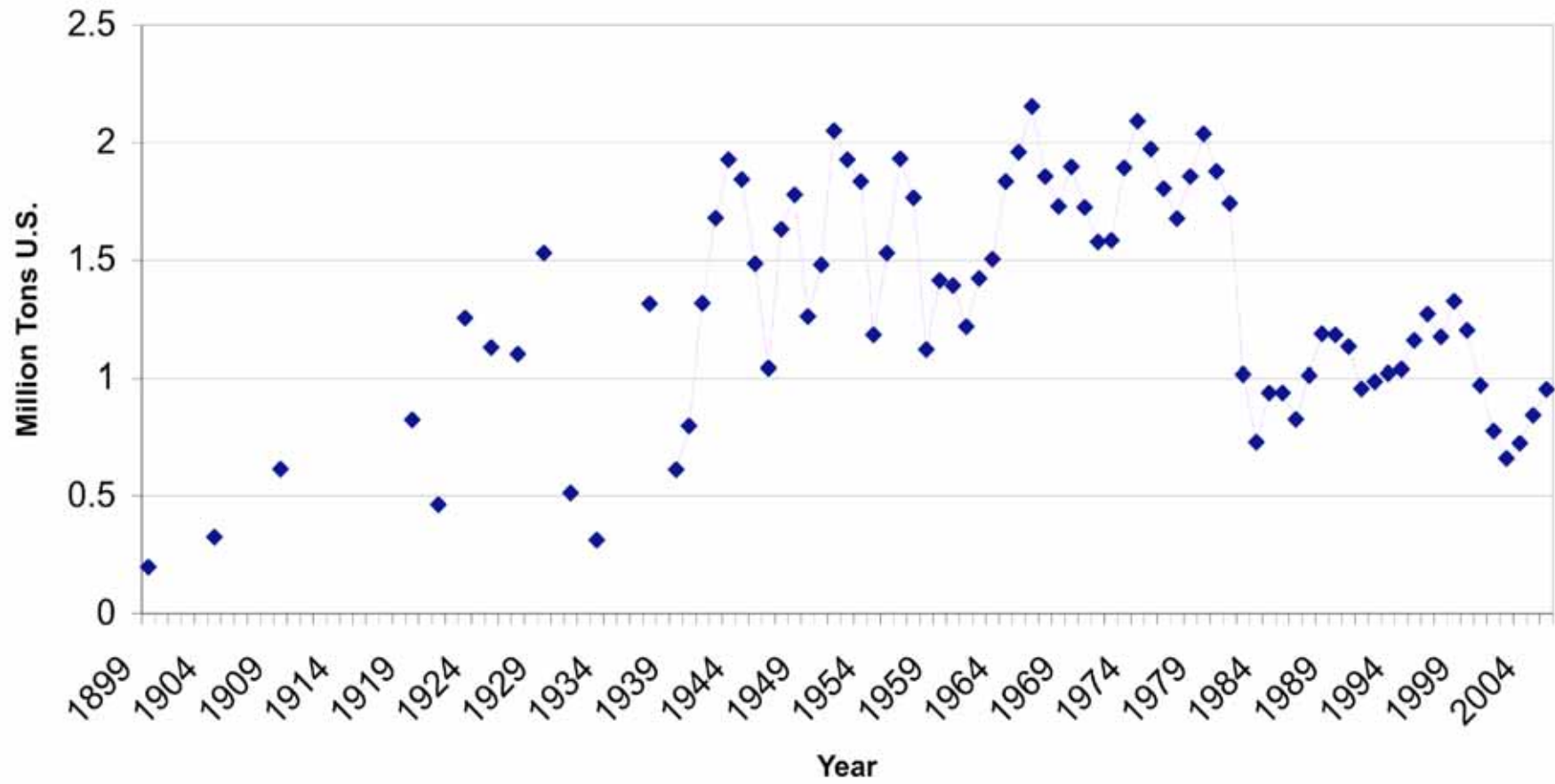
Steel Scrap Prices



Index of Prices



Steel Casting Production in the U.S. million tons



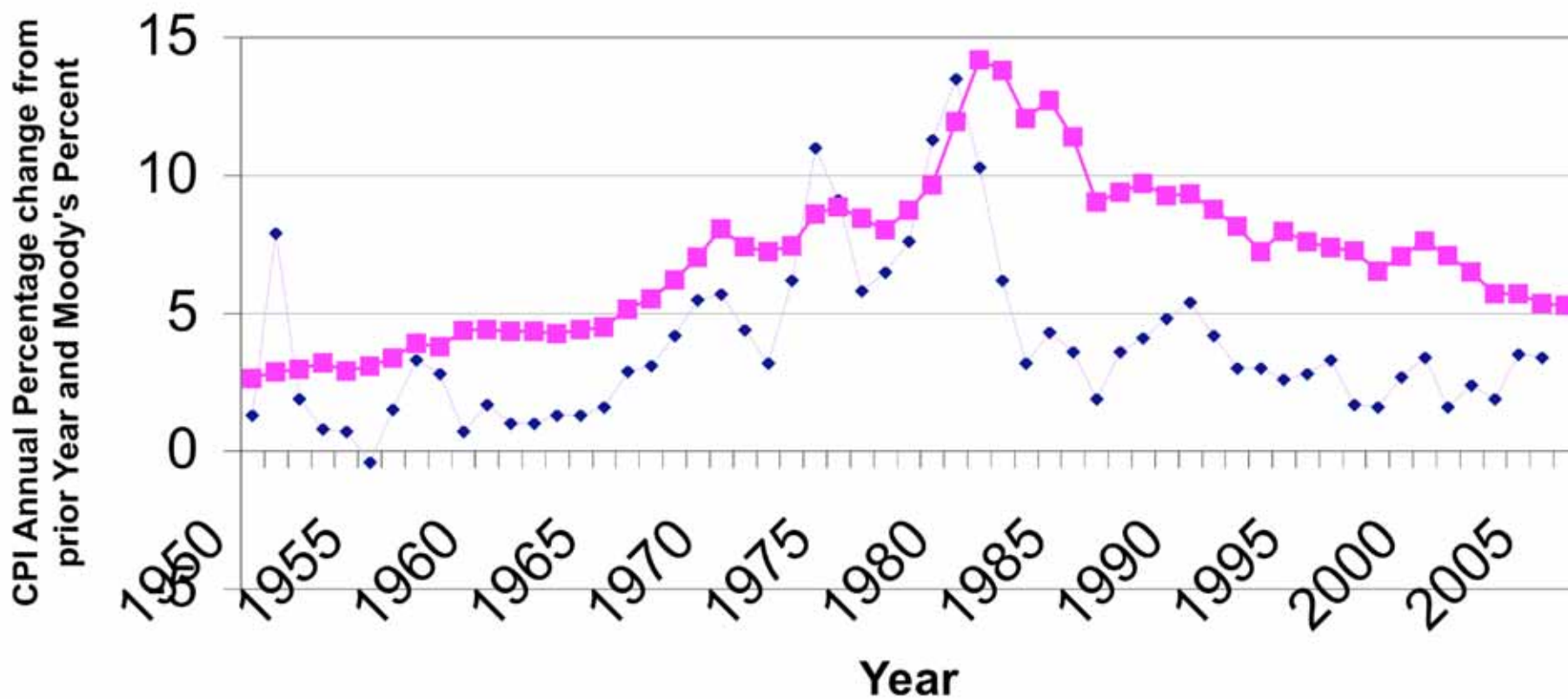
Economic Trends in US

Capital Equipment Investment

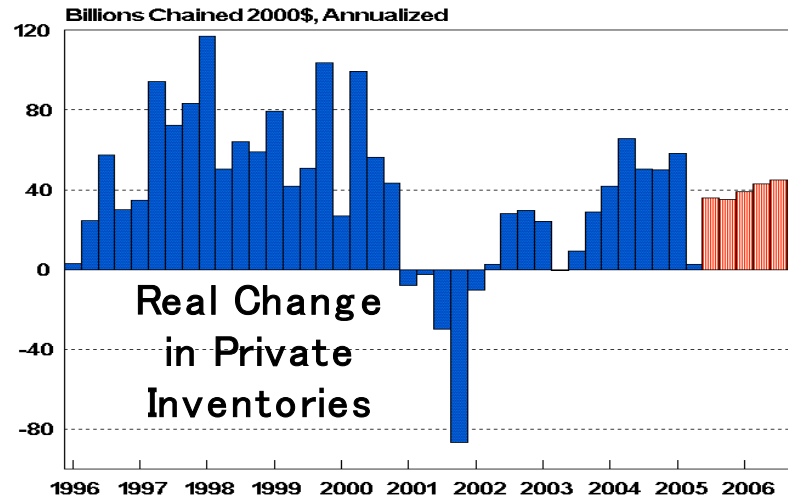
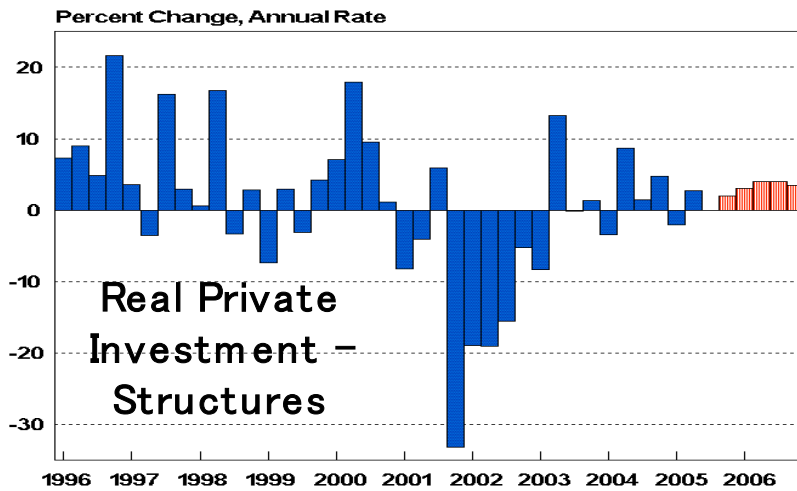
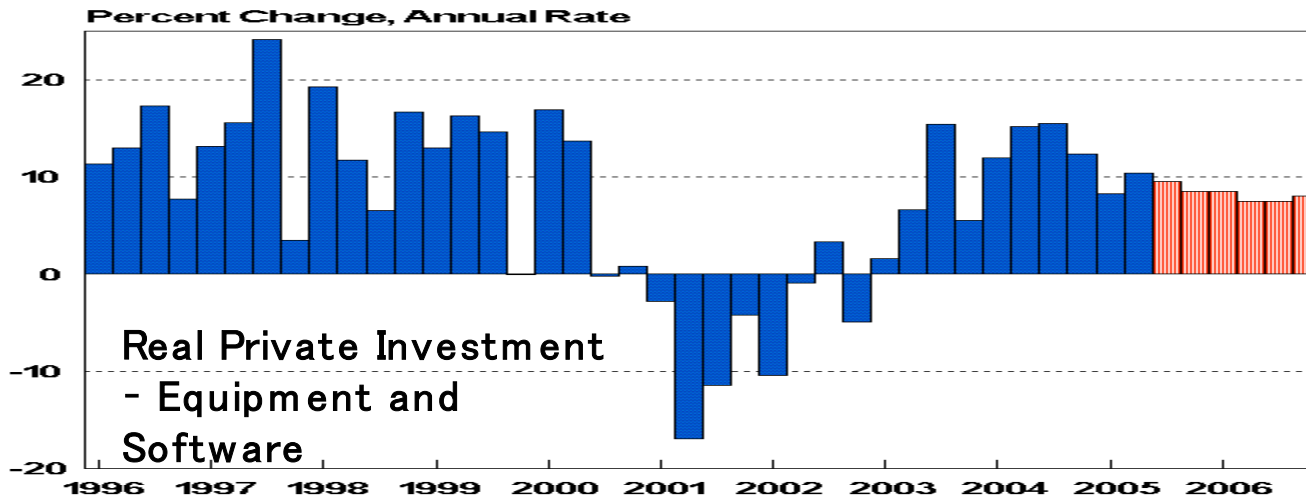
15 to 40 years

- Excess Capacity 80-90's
 - Prices stable or decline
 - Cost cutting required
 - Reduce inventory
 - Minimum staff
 - Low profitability
 - Liquidation of capacity
 - Low interest rates, inflation, inventories, lead times
 - Fewer captive operations
- Limited Supply 60-70's
 - Prices increase
 - Production required
 - Inventory asset
 - Staff required
 - New products and processes
 - Increases in capacity
 - Increases in interest rates, inventory, inflation, lead times
 - New captive operations

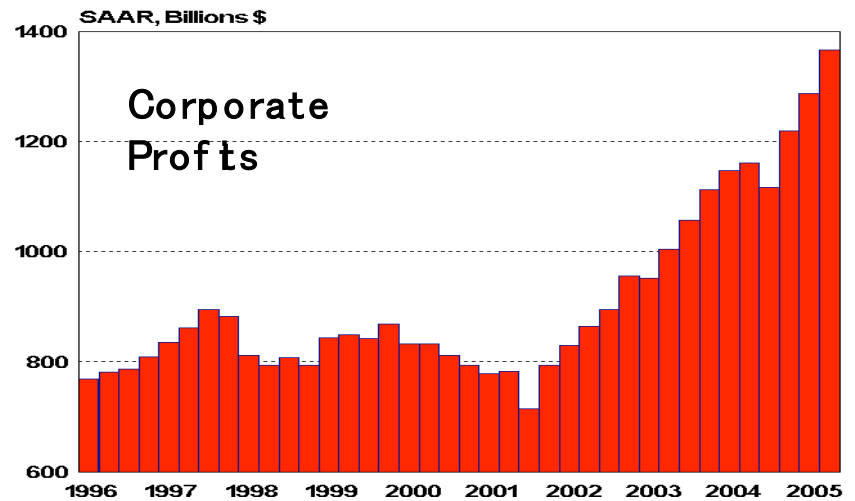
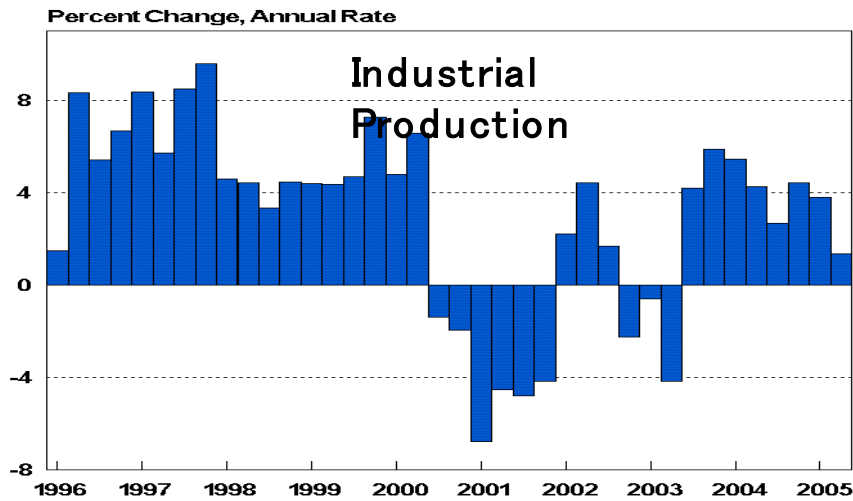
Consumer Price Index and Moody's Corporate Bond Rate Aaa



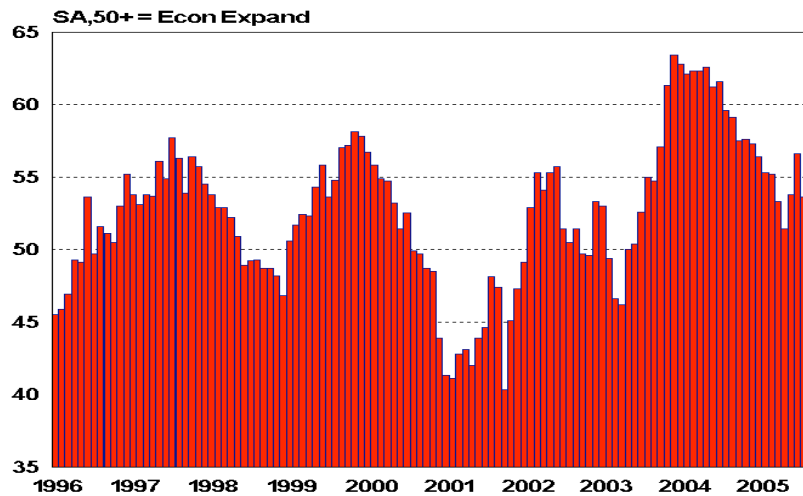
Investment



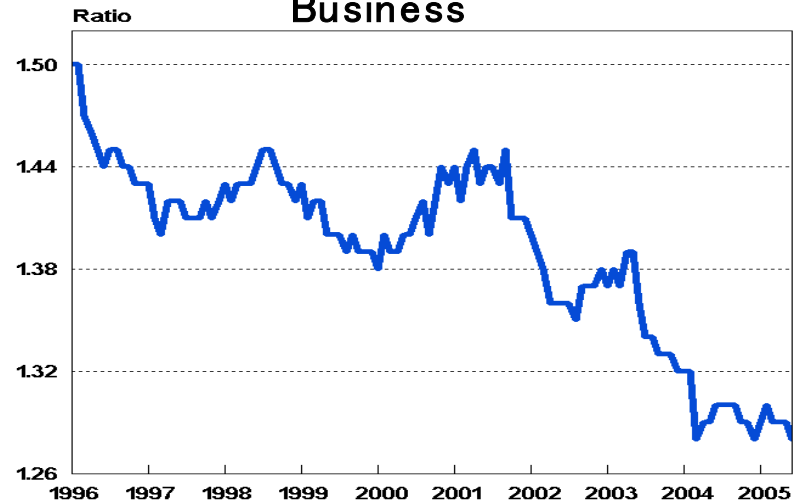
Investment Drivers



Purchasing Managers' Index



Inventory-to-Sales Ratio: Total Business

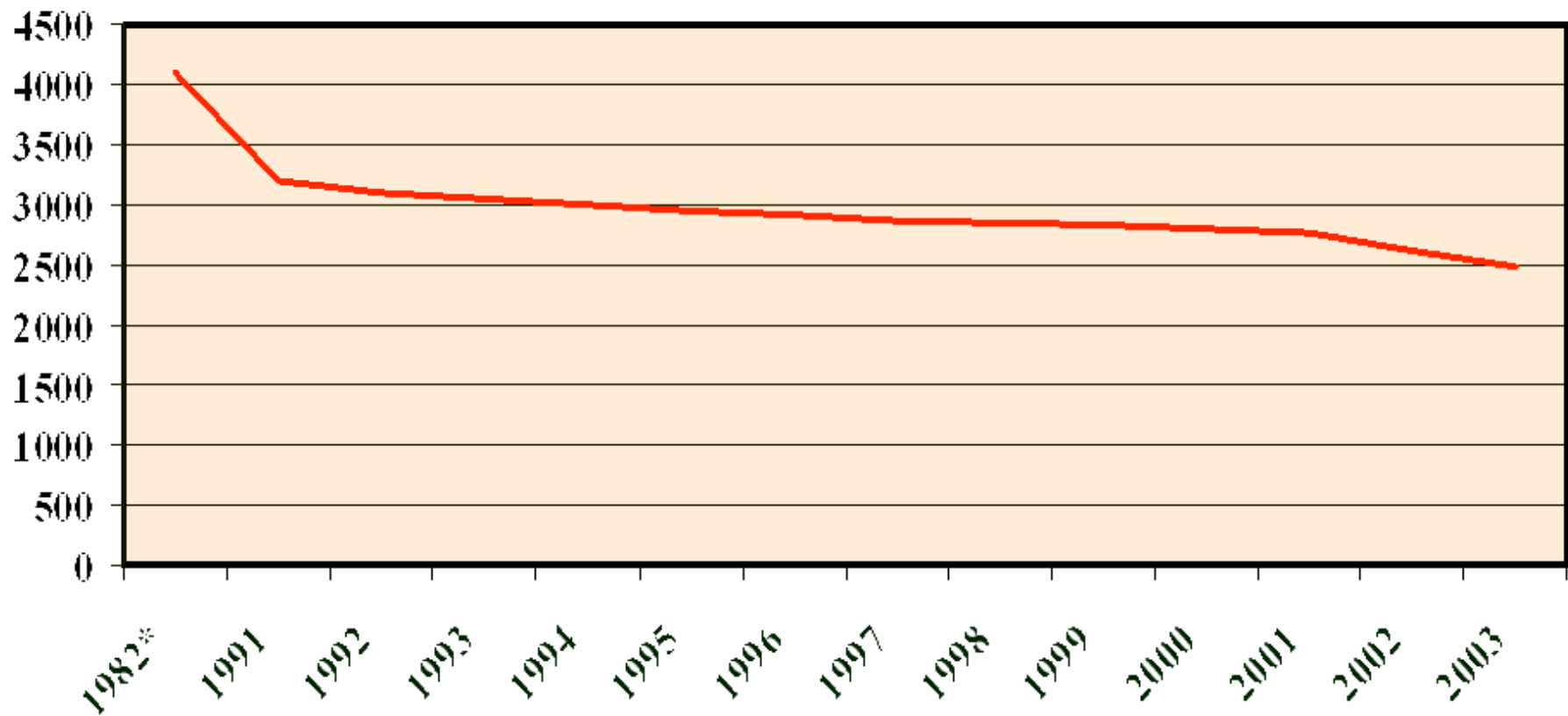


Economic Trends in US

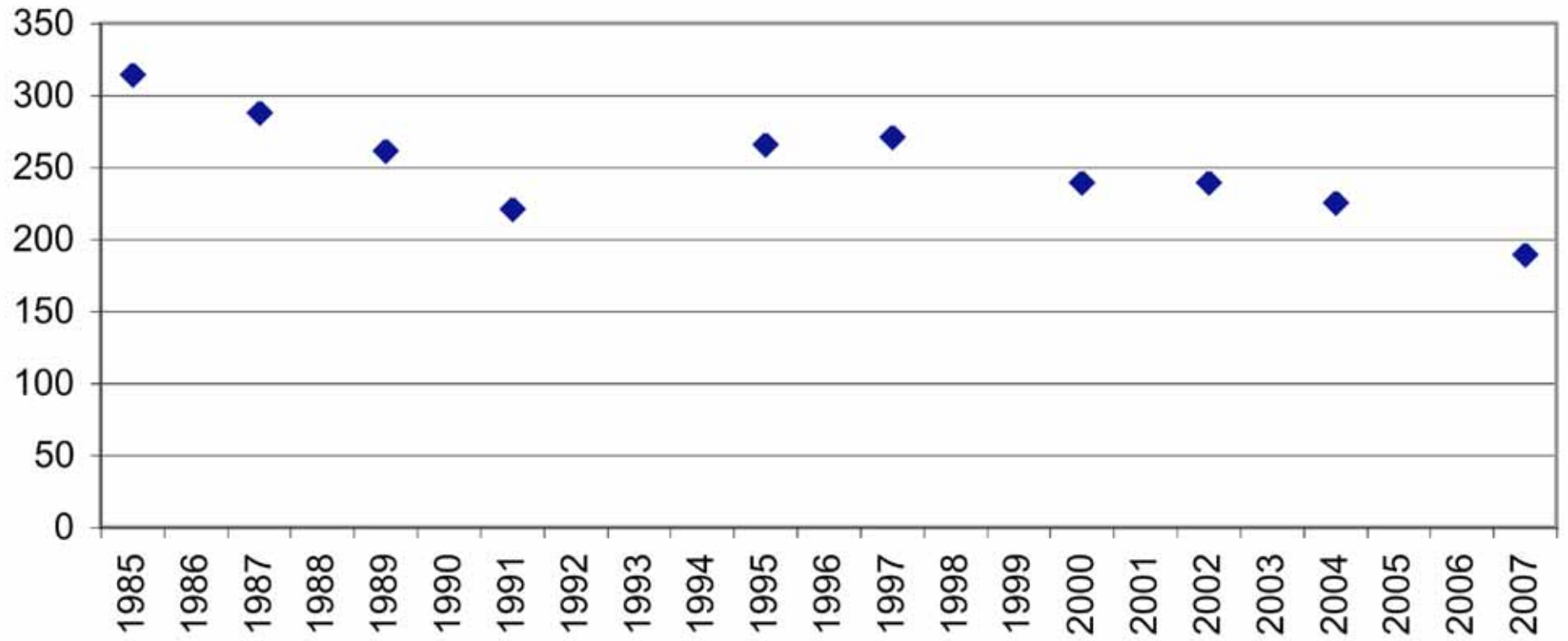
Secular Trends

- Declining
 - heavy
 - make
 - traditional
 - local
 - West
 - North
 - young
- Increasing
 - fast
 - know
 - modern
 - global
 - East
 - South
 - old

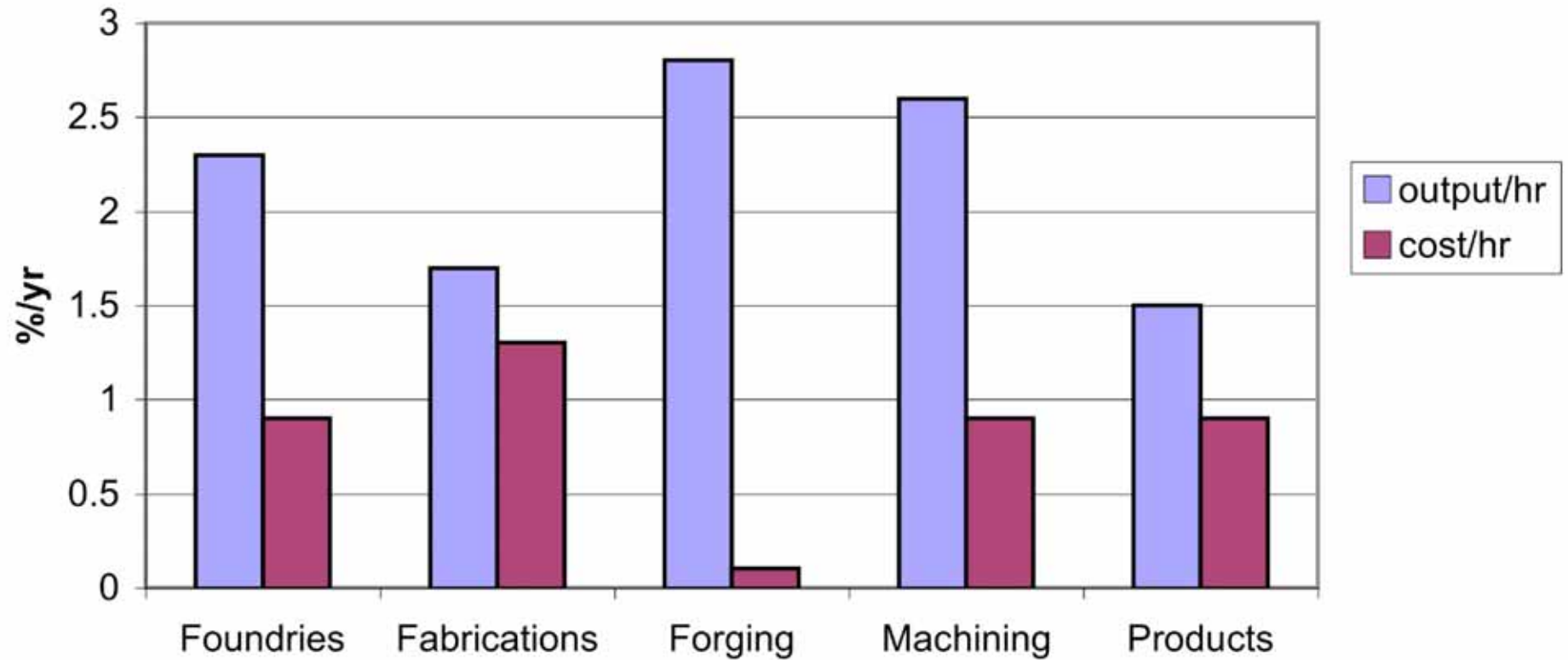
U.S. Foundry Plants Operating



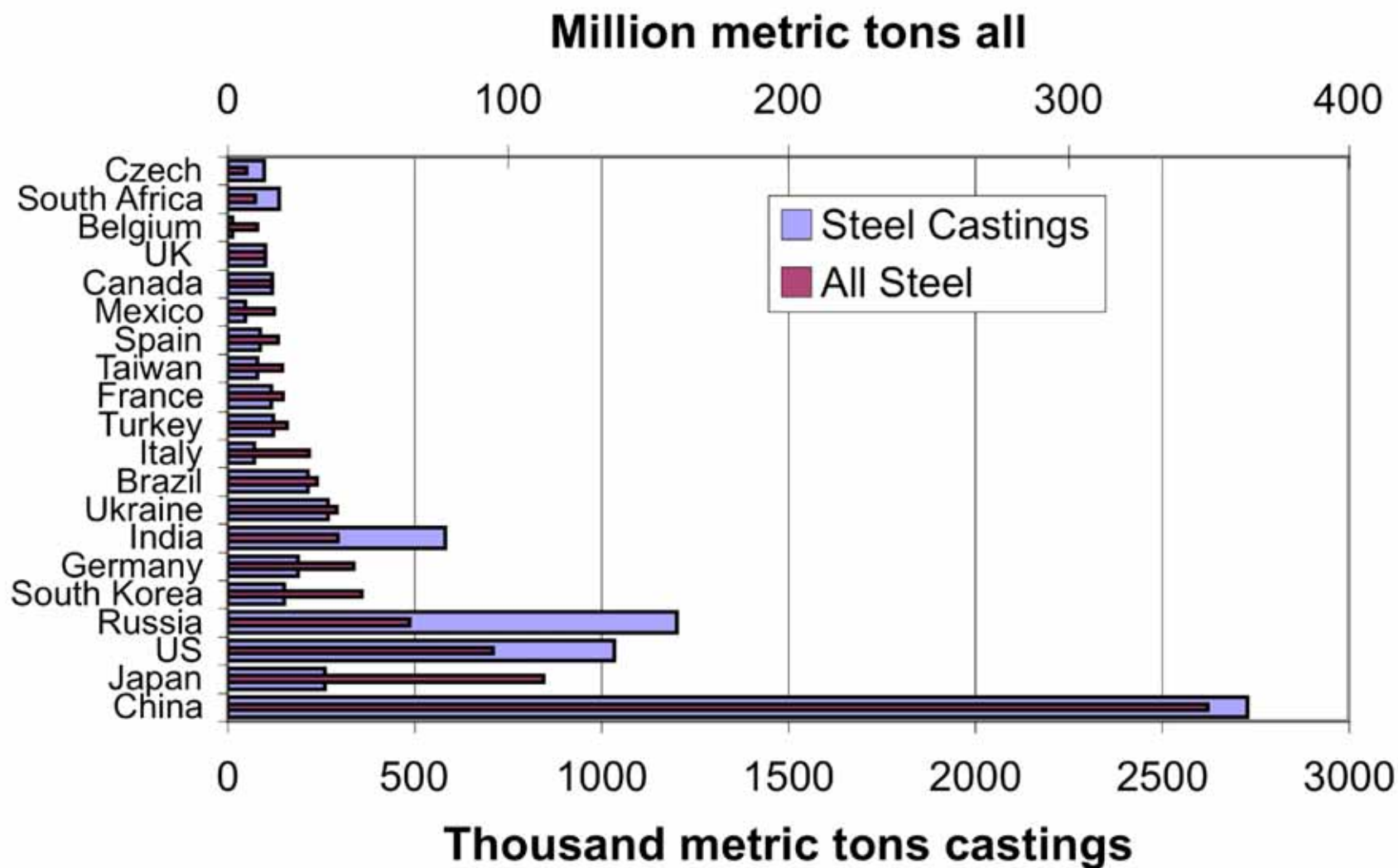
Steel Foundries in US



Labor Productivity and Costs 1987-2003



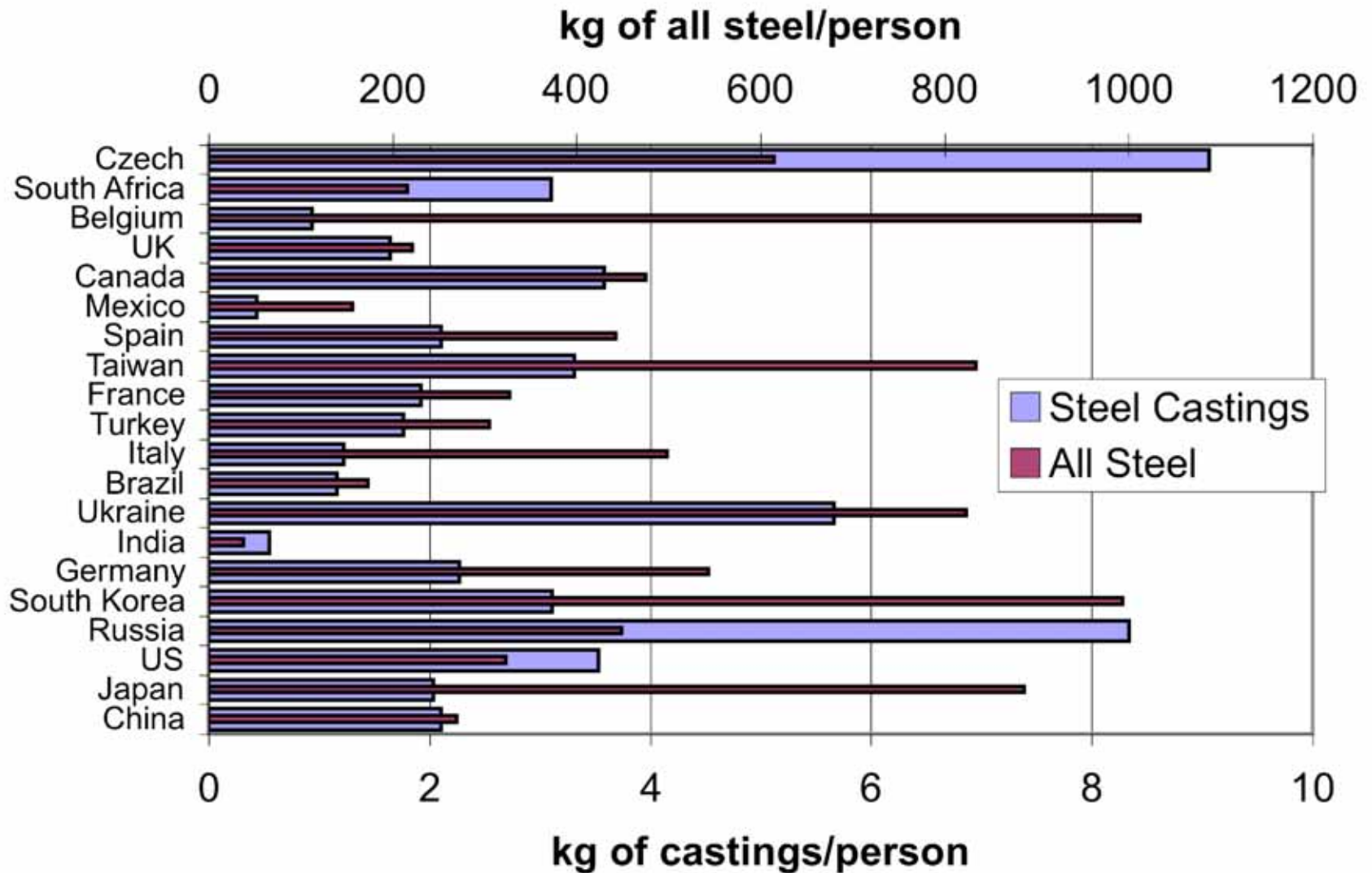
All Steel and Steel Casting Production



World Statistics 2004

- 1129 million tons of steel production
- 6.595 million tons of steel castings
- 6.3 billion people
- 179 kg steel per person
- 1.05 kg steel castings per person

All Steel and Steel Casting Production per Capita



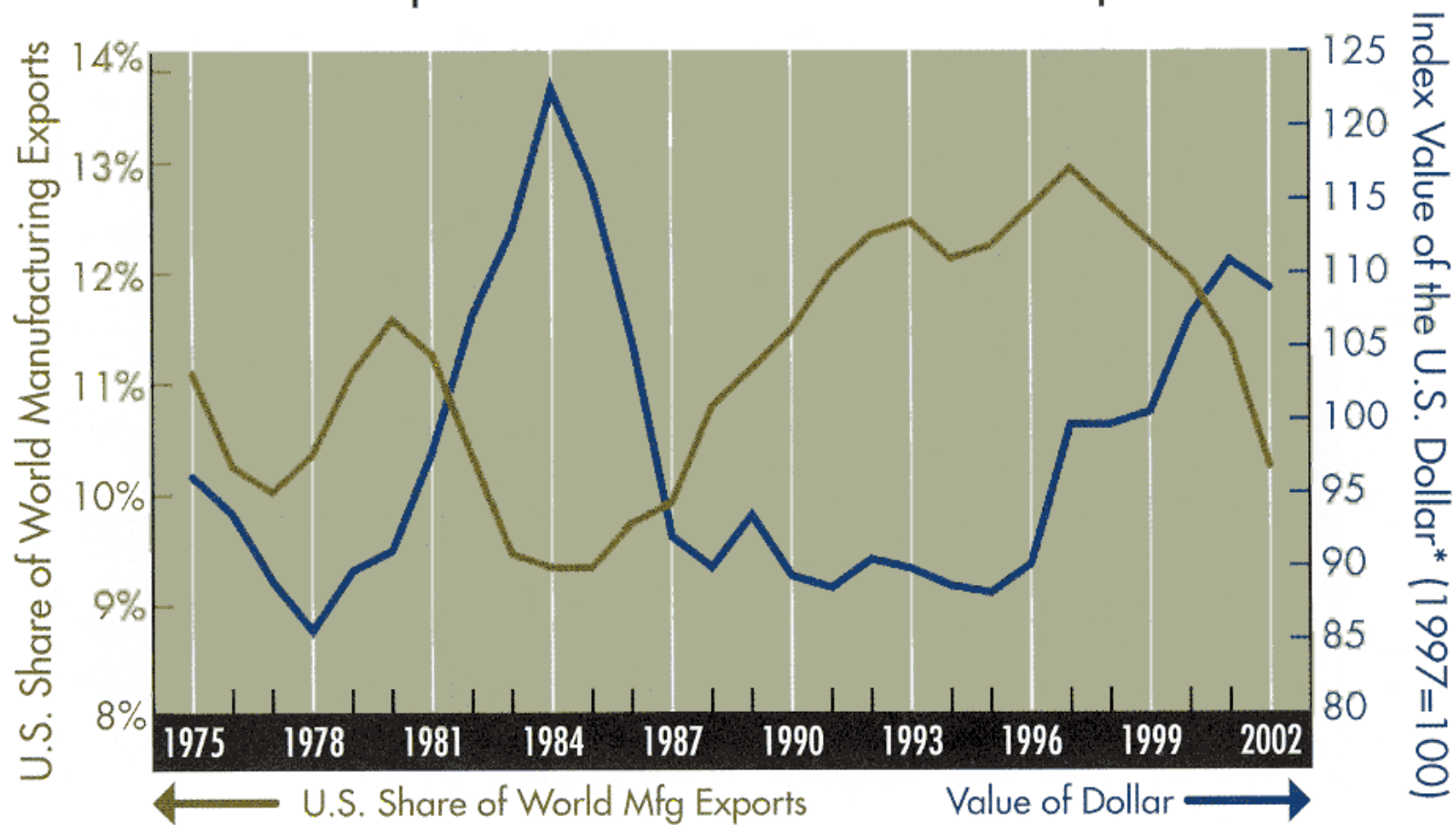
Monthly Avg. Exchange Rates: Chinese Renminbi per U.S. Dollar



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The Impact of the U.S. Dollar on Exports



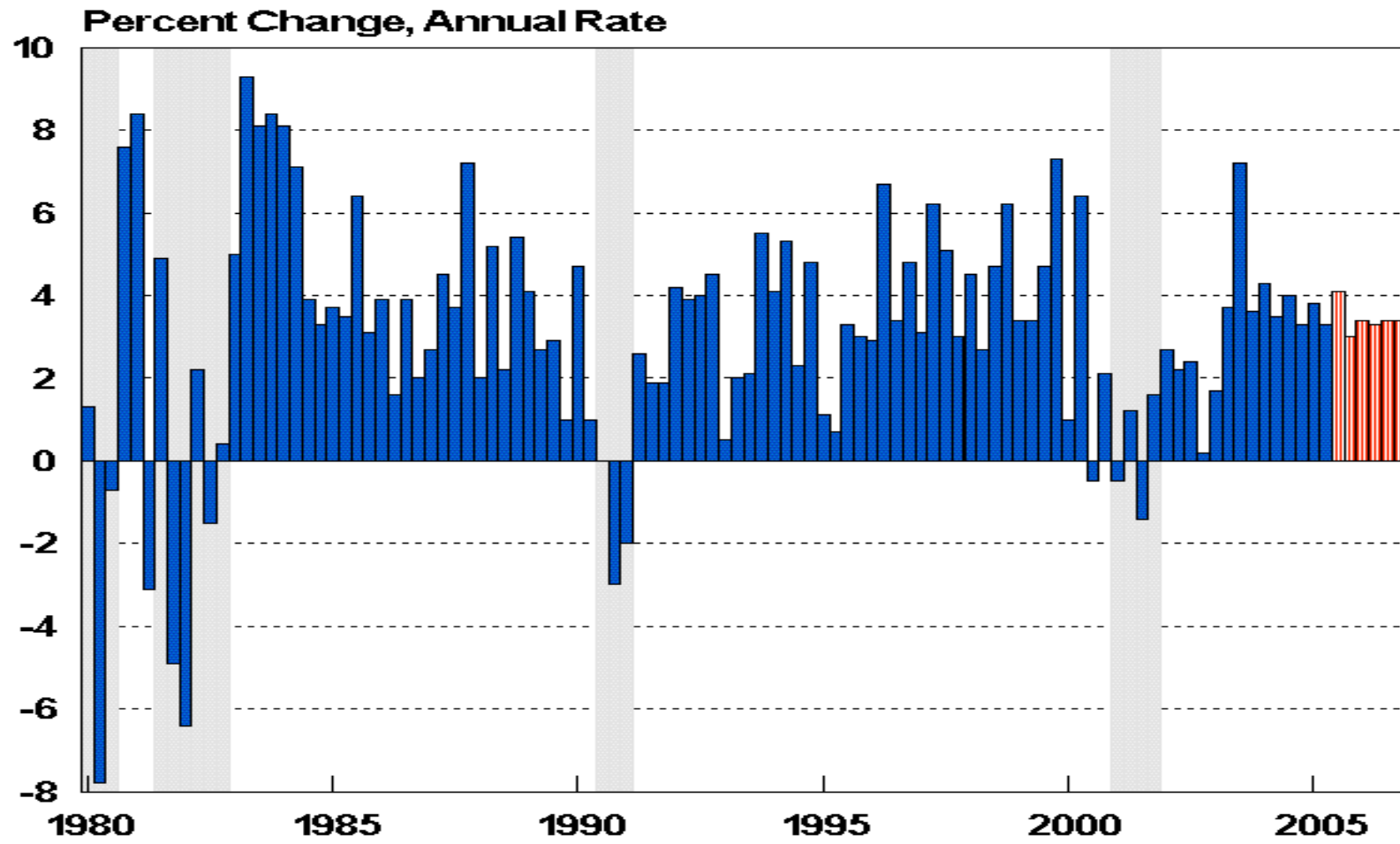
* trade weighted exchange real index (broad currencies)

Source: OECD, U.S. Department of Commerce, Federal Reserve

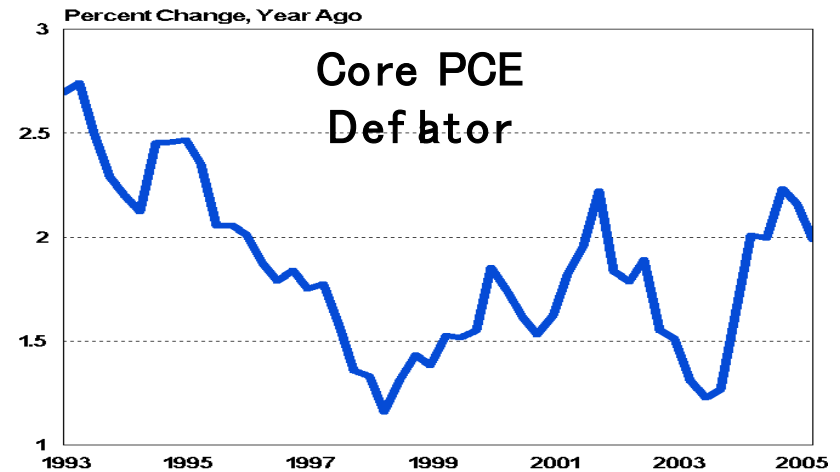
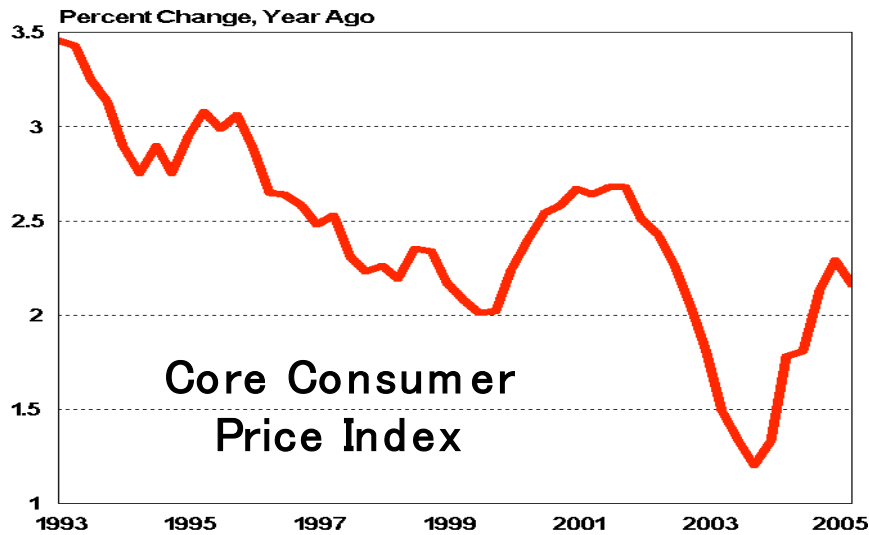
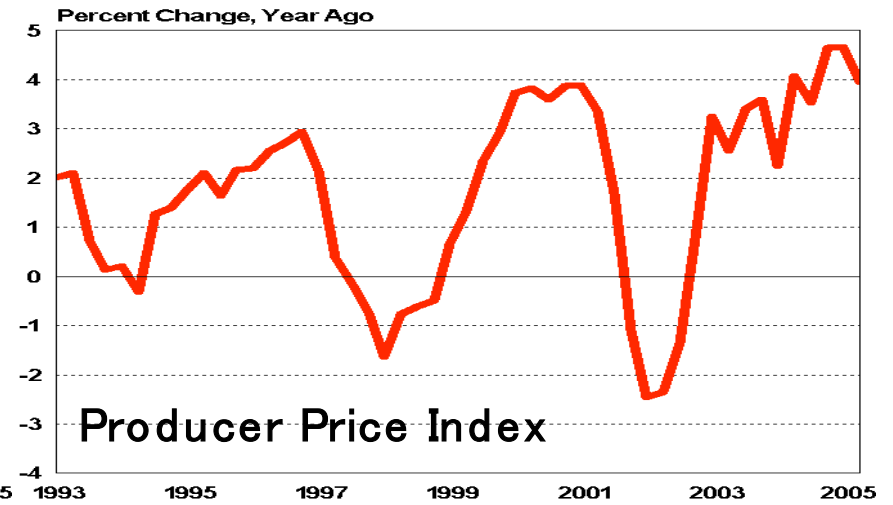
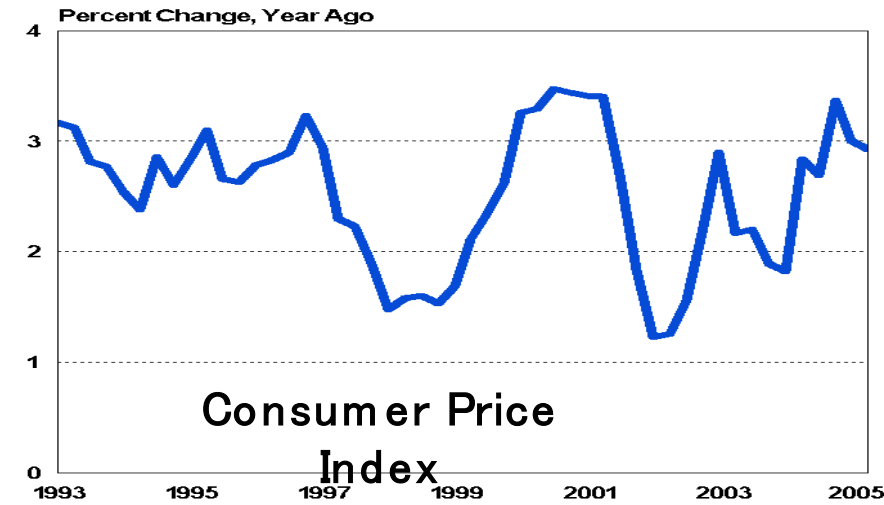
Economic Trends in US

- Normal business cycle
 - Lasts 3 to 8 years
 - Depends on consumer spending
 - Result of political and financial actions
 - Most visible
- Capital equipment investment trends
- Secular changes

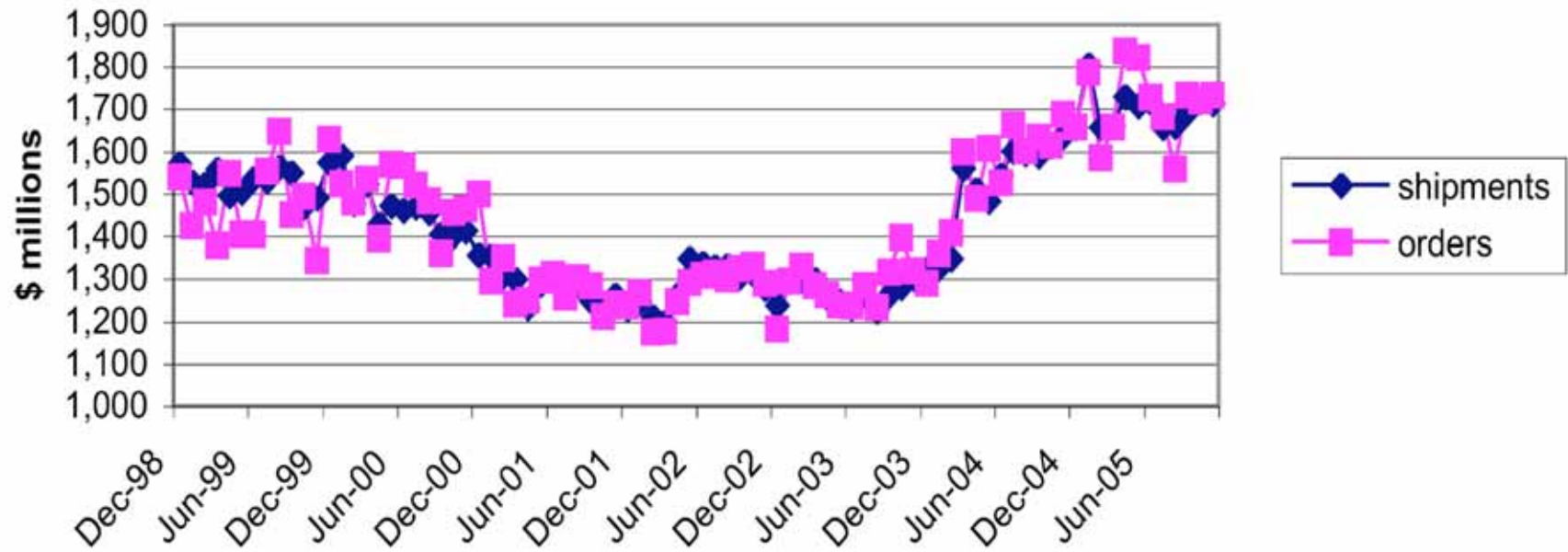
Real GDP Outlook



Inflation



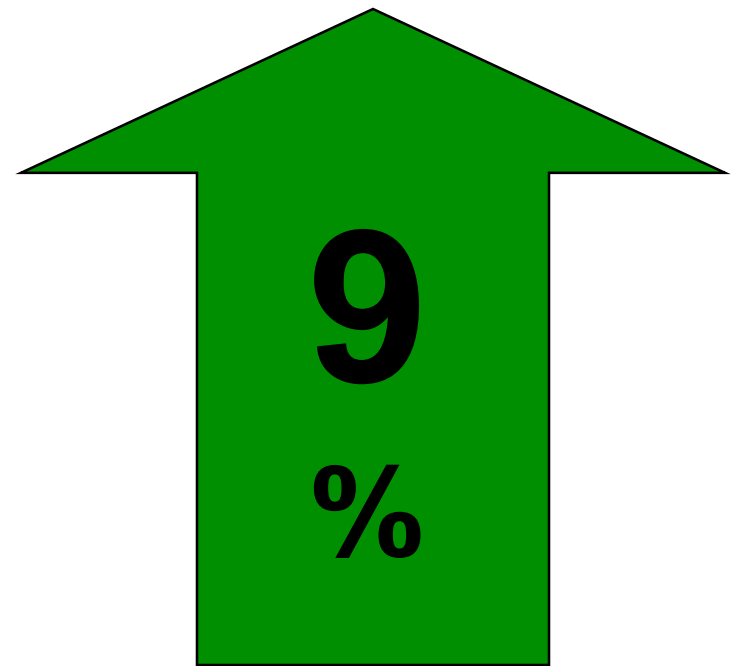
Iron and Steel Castings DOC



Forecast Summary

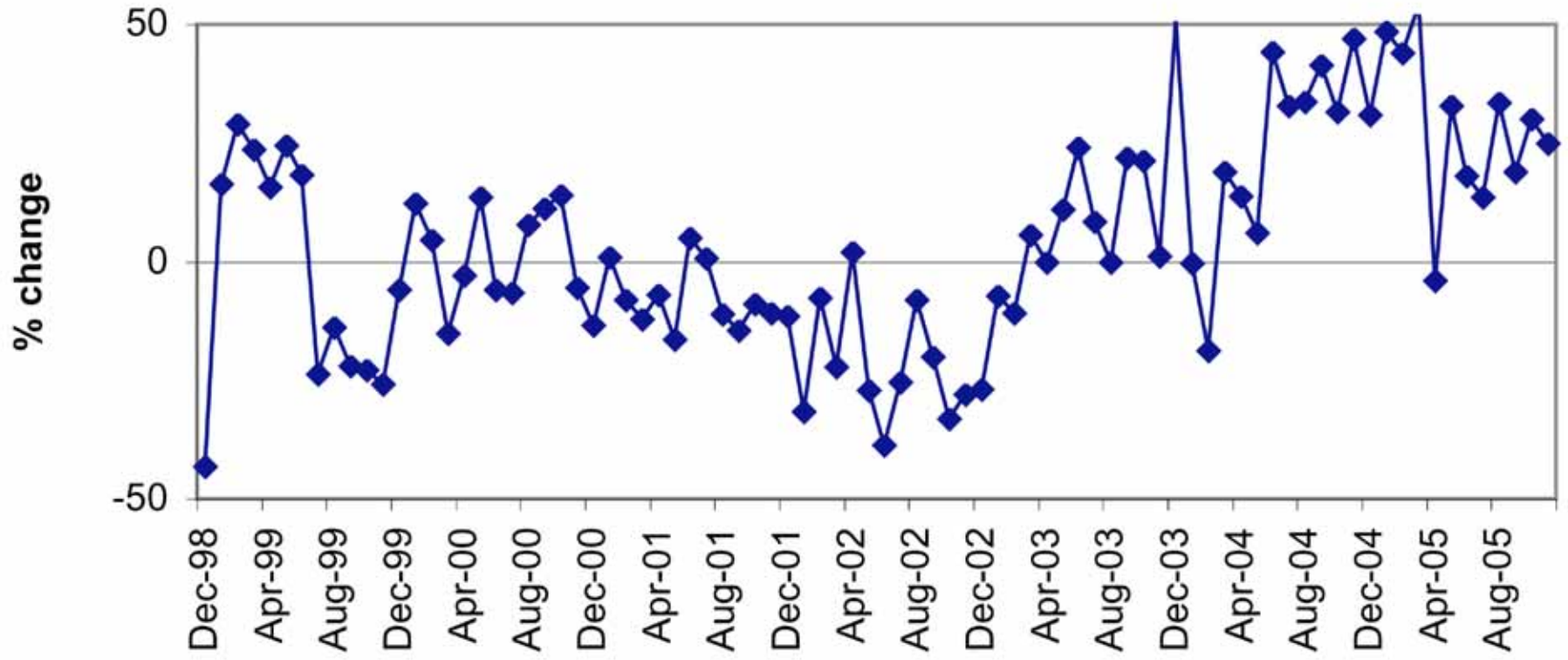
- Strong demand in 2005
- Should continue strong through all of 2006

1,084,124 tons
2006

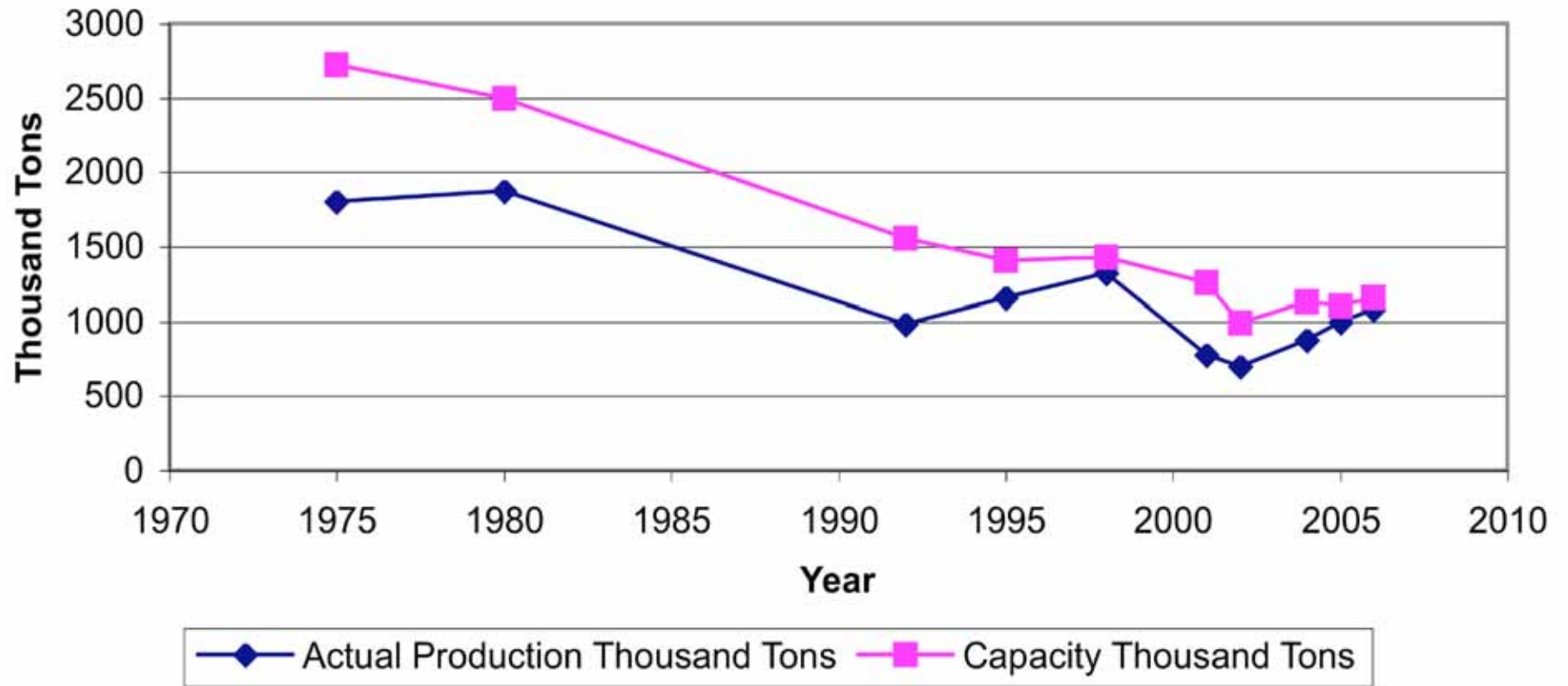


997,550 tons
2005

SFSA Trend Cards



Steel Casting Capacity



Cost to add Capacity

- Incremental capacity can be cheap- labor, heat treat, materials handling; or expensive melting, molding, physical plant
- Estimates of cost of an added annual ton ranged from \$600 to \$2800 with half the responses being between \$1500 and \$2000



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