Welded API Line Pipe from Korea and Turkey; Inv. Nos. 701-TA-524-525 & 731-TA-1260-1261 (Final)

Turkish Exporters' & Producers' Presentation

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Presented by:

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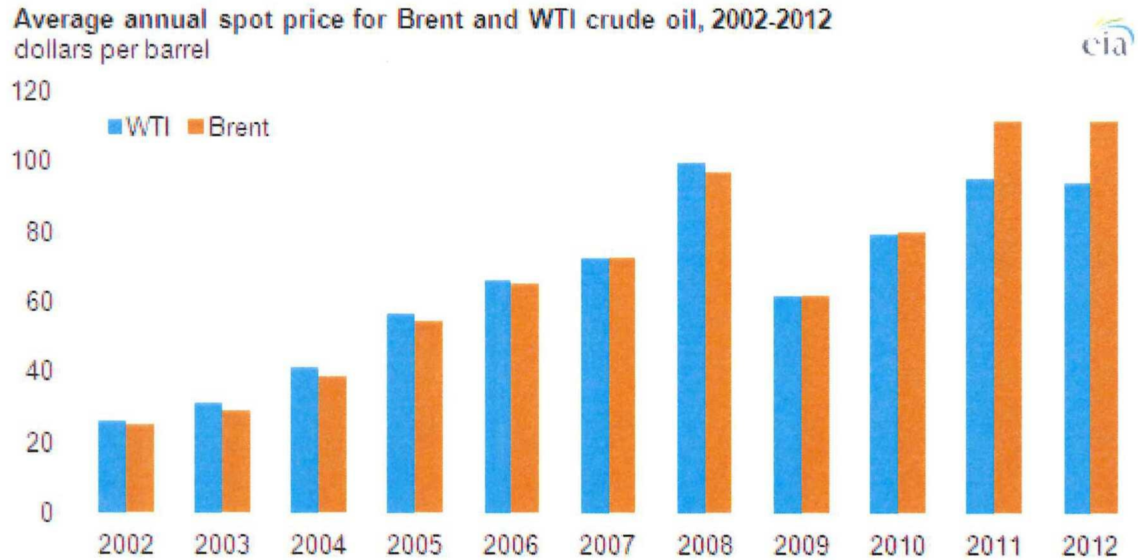
Matthew Nolan, Arent Fox LLP

The State of The US Industry

" In the preliminary phase of these investigations, Petitioners asserted that U.S. oil and gas demand for certain welded pipe had experienced **historic highs** since 2011, which had created high demand for certain welded pipe in the U.S. than in other countries."

Domestic Crude pices were high

➢ **Domestic crude rose to over $100/bbl in 2011, 2012**



Source: Energy Information Agency

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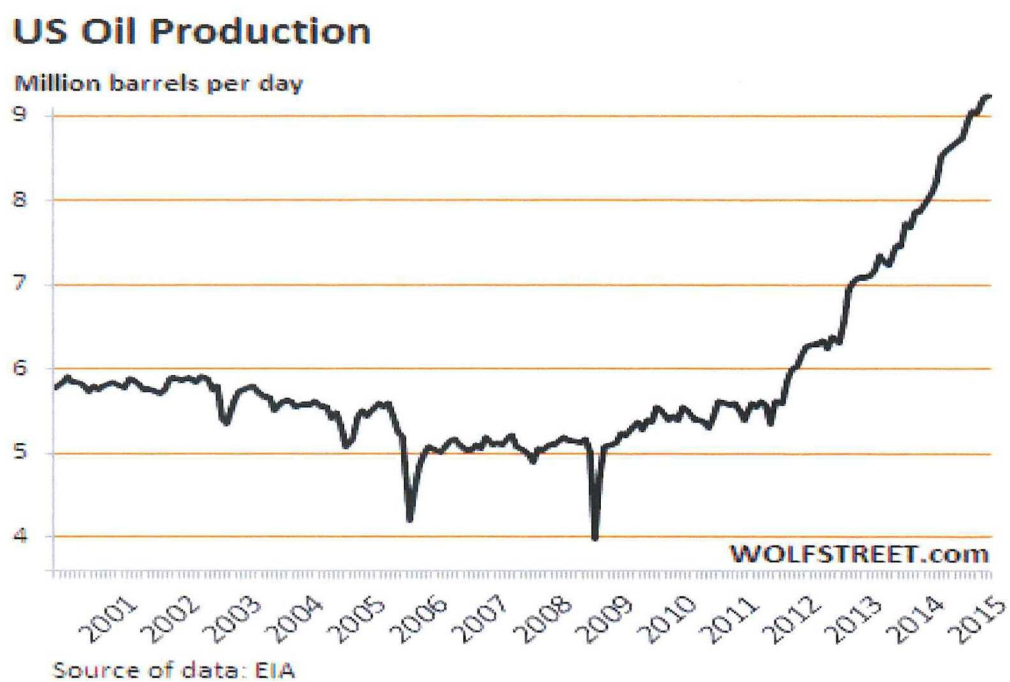
Production Increased

- The "shale revolution" stimulated tremendous production of oil and natural gas in the United States



U.S Line Pipe Producers Did Well

- **Apparent Consumption Rose and as a result 2011 and 2012 Were good years for Welded Line Pipe Producers**

	2011	2012
Apparent Consum.	2,521,770 ST	3,287,386 ST
U.S. Shipments	1,385,741 ST	1,571,236 ST
Mkt Share (Qty)	55%	48%
Mkt Share (Val)	61%	53%
Capacity Util.	66%	71%
Gross Profit	18.3%	18.4%
Operating Income	14%	14%

Source: Preliminary Det. Report, Final Staff Report

Subject imports increased with Demand, and Crowding out Non-Subject

Import Volumes (in Short tons)

Year	Korea	Turkey	All Imports
2011	550,707	22,717	1,136,029
2012	748,536	66,472	1,716,150
2013	722,802	66,025	1,301,525
2014	773,432	78,565	1,312,468

Source: Staff Report, Preliminary Report

And U.S. Line Pipe Producers Expanded Capacity

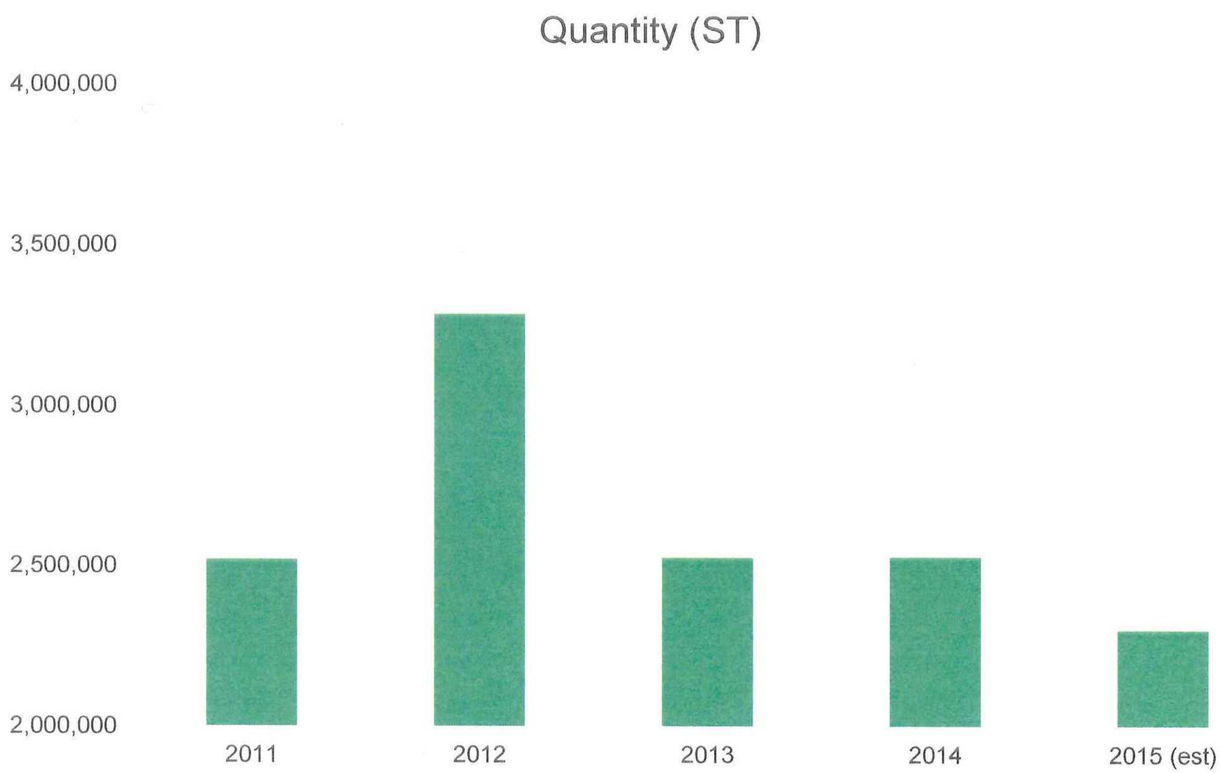
Recent Capacity Expansions				
Company	Location	Product	Capacity (tons)	Start-Up
U.S. Steel	McKeesport, PA	Shift from structural to Line Pipe	315,000	2011
Wellspun	Little Rock, AK	Line Pipe	225,000	2012
American Steel Pipe	Expansions, various mills	Welded Line Pipe	350,000	2013
EnergeX	-------	----------	----------	2014
California Steel Industries	Fontana, CA	**Line Pipe**/OCTG	400,000	2014
Prolamsa	Bryan, TX	OCTG/**Line Pipe**/Structural	300,000	2015

Sources: Metal Bulletin Research (June 2014)

But Then the Market Began To Change in 2013

- Apparent Consumption fell 23% by volume and 39.7% by value between 2012-2014, with most of the drop in 2013.
- Total imports dropped 24%, and subject imports dropped 3%.
- U.S Shipments fell 22% while new capacity was coming on line.

US Apparent Consumption of Welded Line Pipe

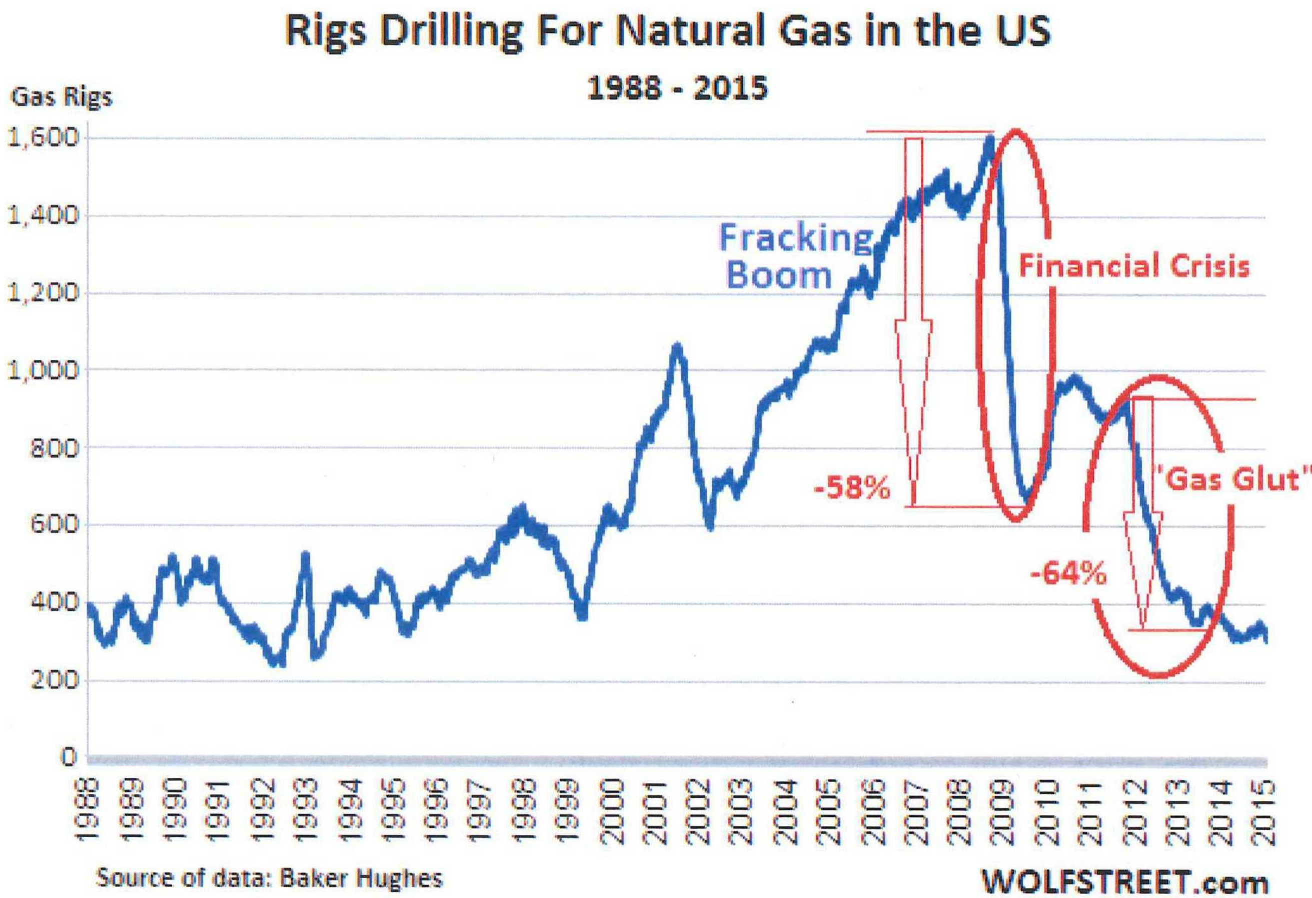


Source; Staff Report

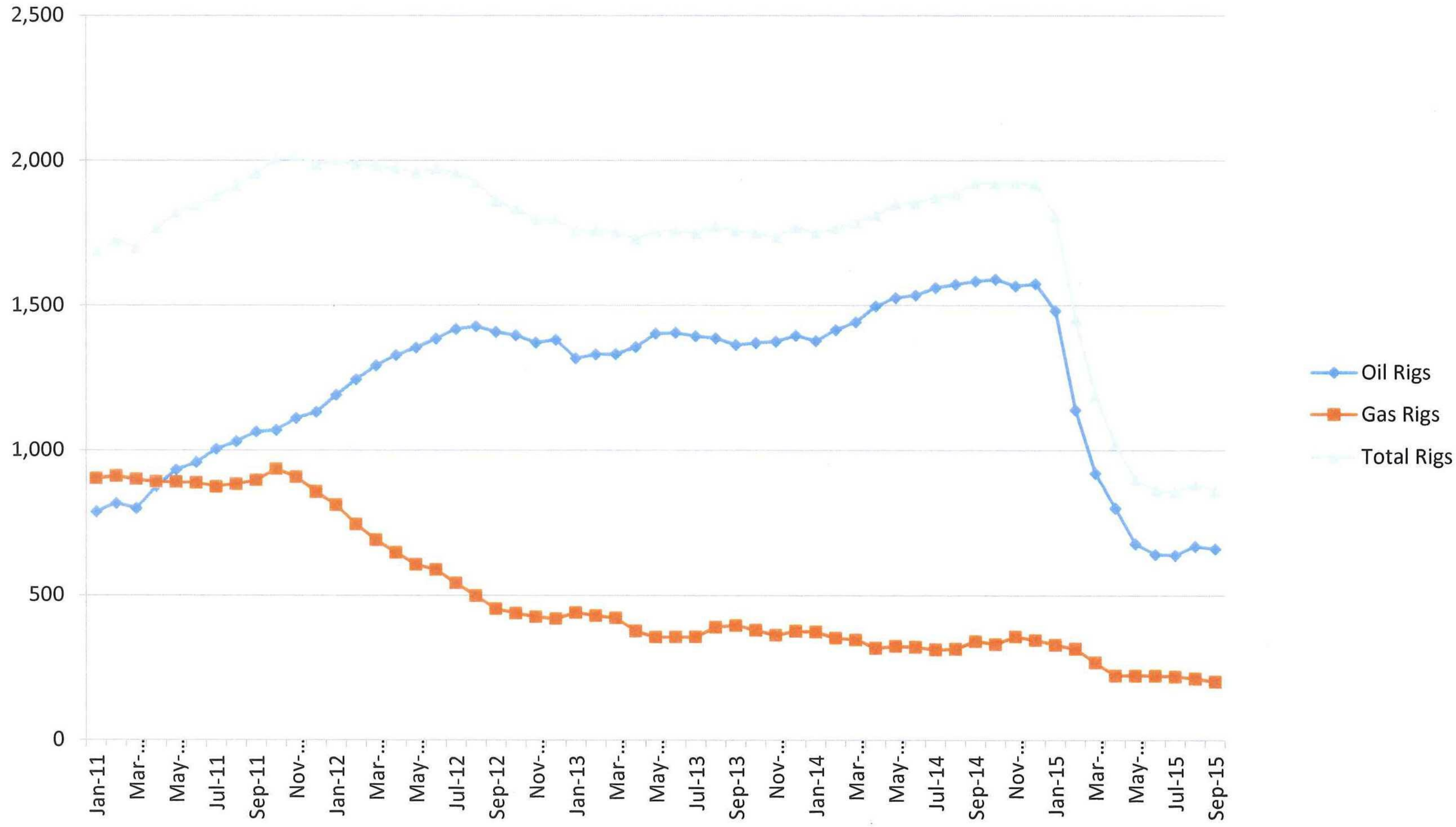
Why did demand drop so fast?

- Line pipe demand is tied to the energy industry, and oil and gas drilling specifically.
- Between 2012 and 2013 the number of rigs in operation drilling for natural gas fell precipitously, from 811 rigs in operation in January 2012 to 375 rigs in operation in December 2013.
- But then in 2014 things got worse.

Natural gas Drilling Rigs

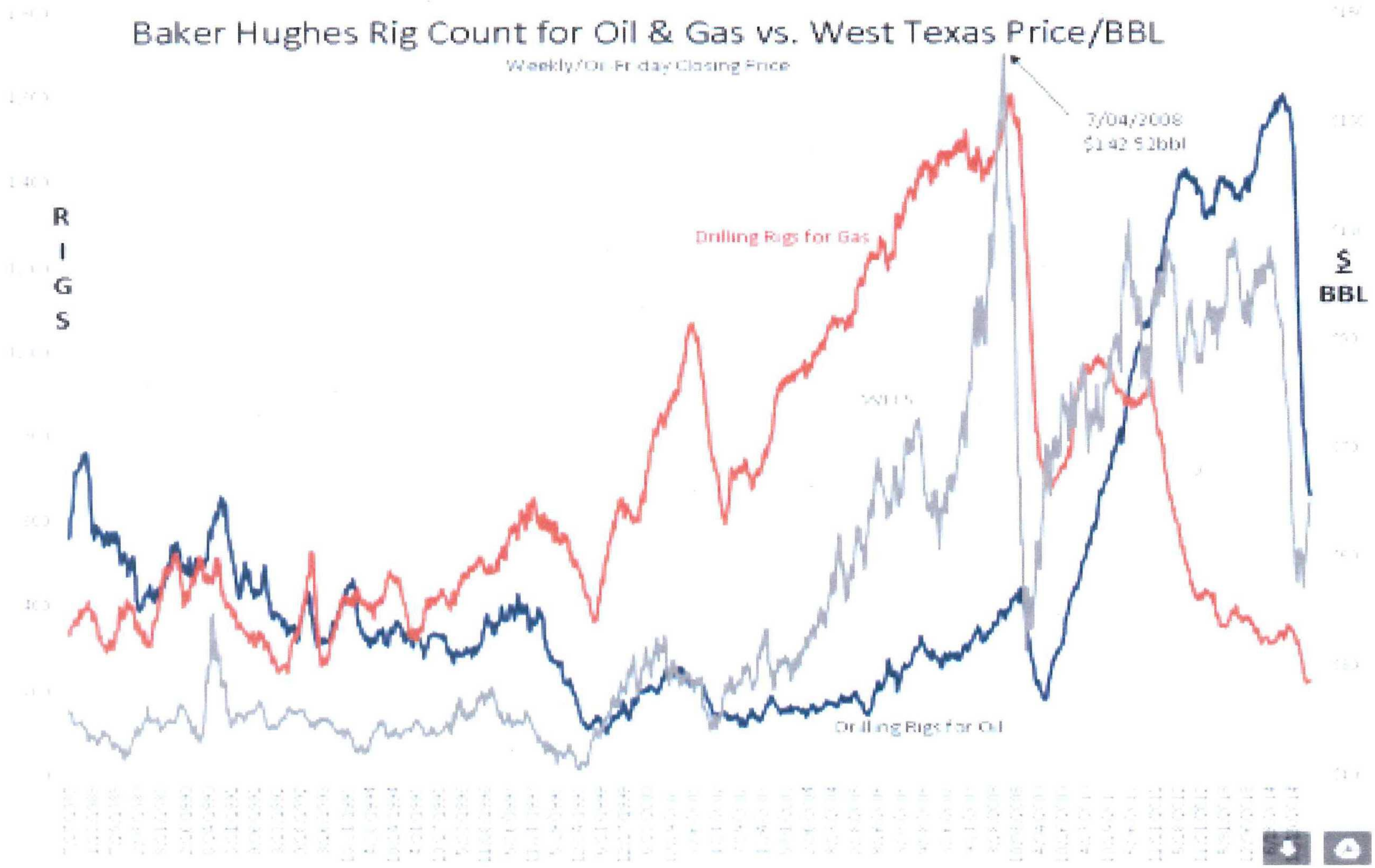


Monthly Chart of Rig Counts

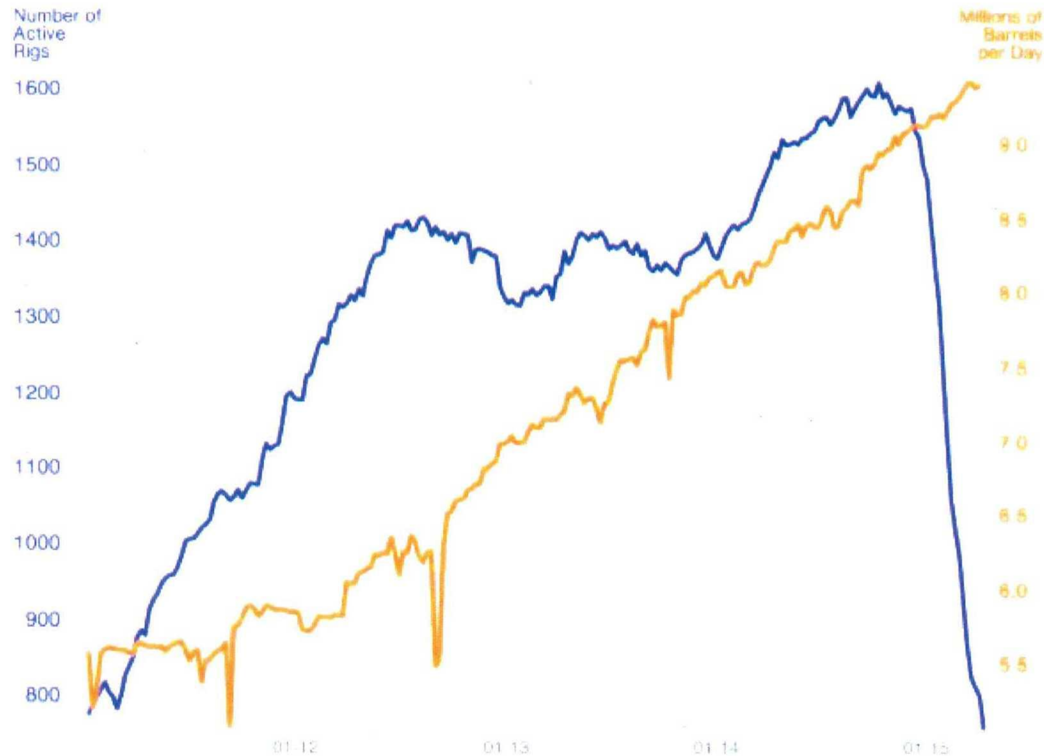


Source: Baker Hughes

Oil Prices and Rig Counts



Active Oil Rigs vs Oil Production



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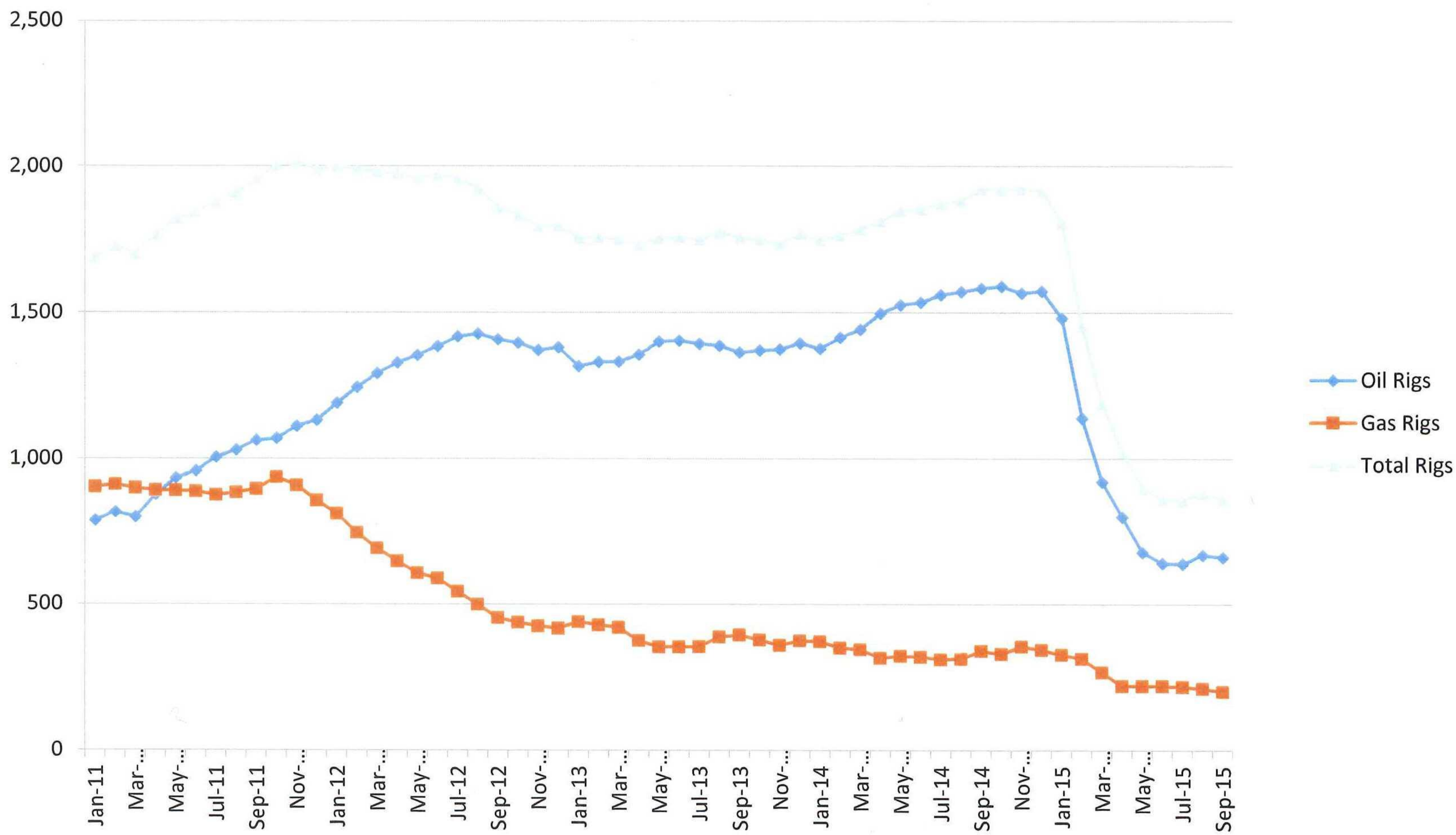
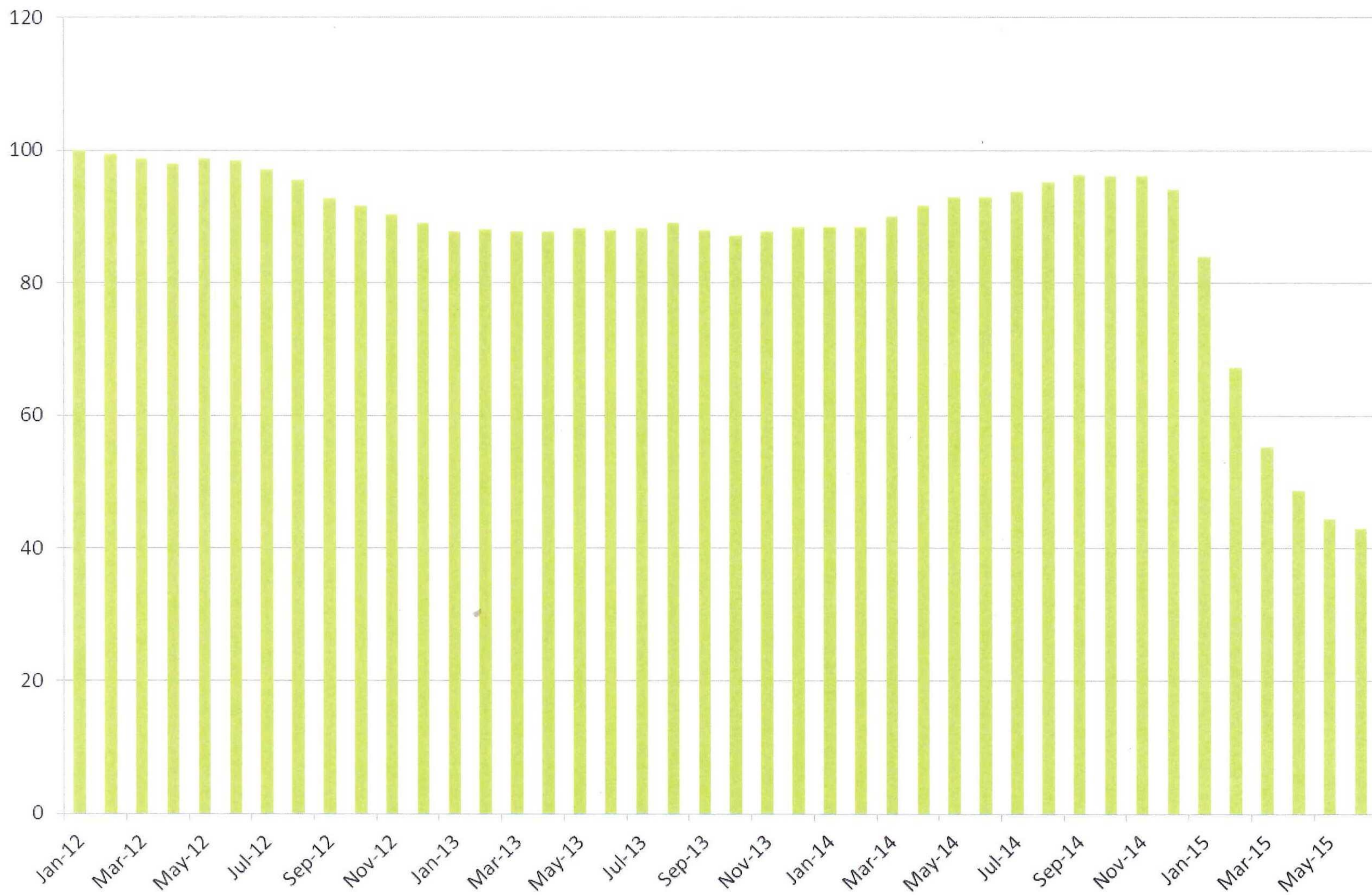


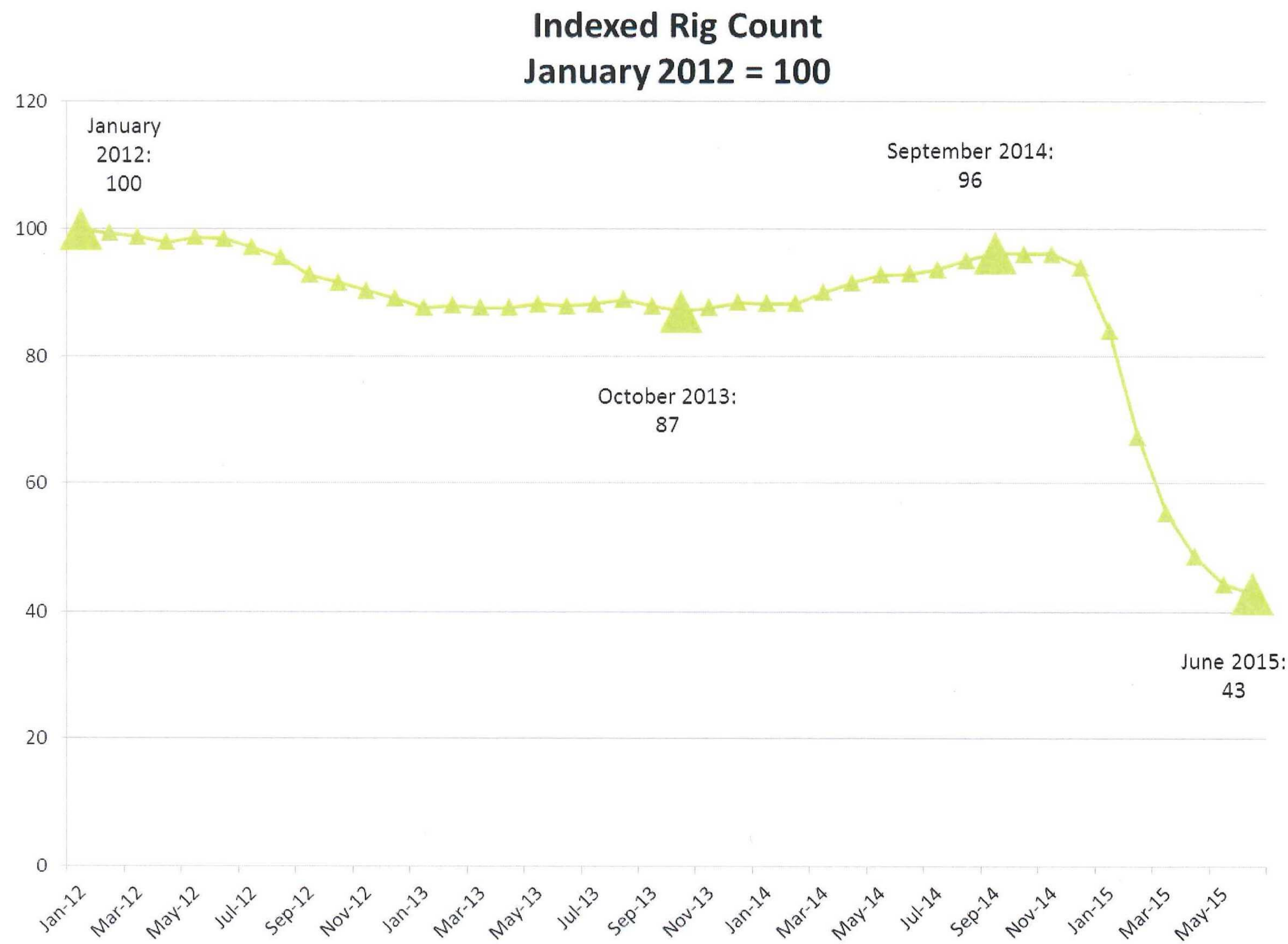
Indexed Preston Line Pipe Demand Estimate

API Line Pipe Supply (Domestic + Import)

Includes pipe under 16" OD, both welded + seamless

January 2012 = 100

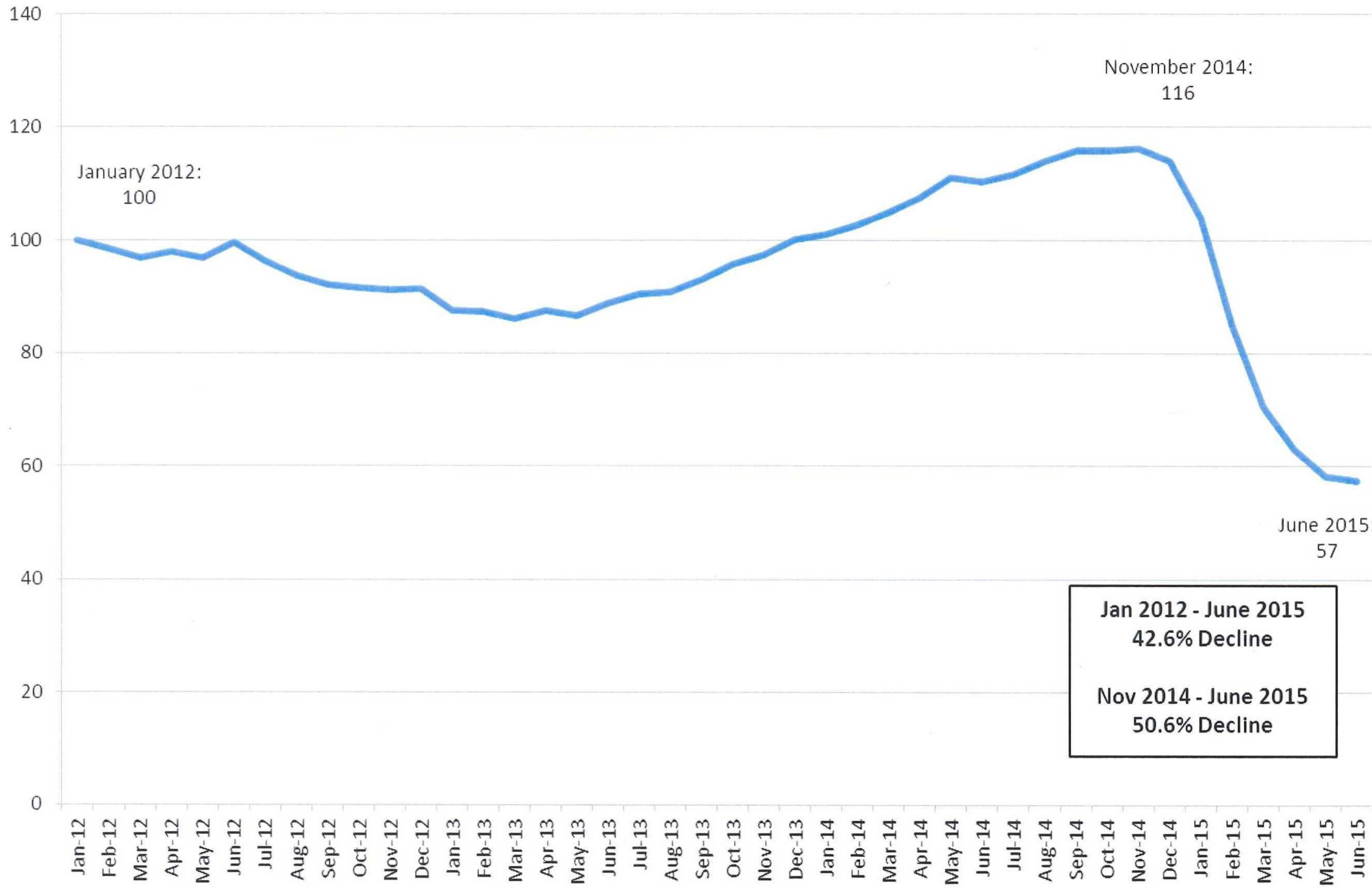




Source: Preston Pipe & Tube, Baker Hughes

Indexed Monthly OCTG Consumption

January 2012 = 100



Source: Preston Pipe & Tube Report

Performance of U.S. Industry Peaked in 2012 and A Collapse in Demand Triggered the Current Industry Issues

- Average U.S. capacity increased going into 2013 then dropped.
- Production peaked in 2012 and retreated in 2013 decreased close to 2011 levels
- U.S. Shipments peaked in 2012 and decreased in 2013,-2015 as demand fell, then collapsed.
- Producers could not shift production because OCTG was in even worse shape.
  - No ability to shift production/capacity
  - No ability to absorb costs –SG&A expenses?
- The disconnect between falling raw material prices and reported COGS.
- Falling raw material prices caused any price declines.

And the Impact of Subject Imports?

- U.S. Market Share INCREASED between 2012 and 2014, despite demand drop.
- U.S. unit values fell in 2013 (when imports were flat), but prices were stable in 2014 and actually increased in 2015.
- The total increase in subject imports 2012-2014 was 37,000 ST, tiny in comparison to consumption and U.S shipments
- Turkey accounts for a very small portion on imports relative to Korea, with a limited size range.