
Industrial Markets Outlook:

There's 2010 and There Is The Recovery

***SPEECH TO SMMA FALL TECHNICAL CONFERENCE:
FORECAST 2010 AND BEYOND***

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Safe Harbor Statement

God, grant me the serenity to accept the things I cannot change, the courage to change the things I cannot accept, and the wisdom to hide the bodies of those people I had to kill today because they ticked me off. Also, help me to be careful of the toes I step on today, as they may be connected to the butt that I may have to kiss tomorrow.

BLINKING RED LIGHTS FOR INDUSTRIAL ECONOMY APPEARED IN SUMMER 2008

- ❑ That the U.S. economy was going to slow significantly was not a surprise. Trade was the key contributor to economic growth through the first half of 2008 with exceptionally strong exports making up for most of the weakness of the domestic economy.

	1Q06 to 4Q07		4Q06 to 4Q07		2Q07 to 2Q08	
Residential Construction:	-\$173.4B	-39.5%	-\$96.7B	-34.3%	-\$104.8B	-22.2%
Exports:	+\$183.4B	+42.0%	+\$104.1B	+36.9%	+\$155.7B	+11.2%

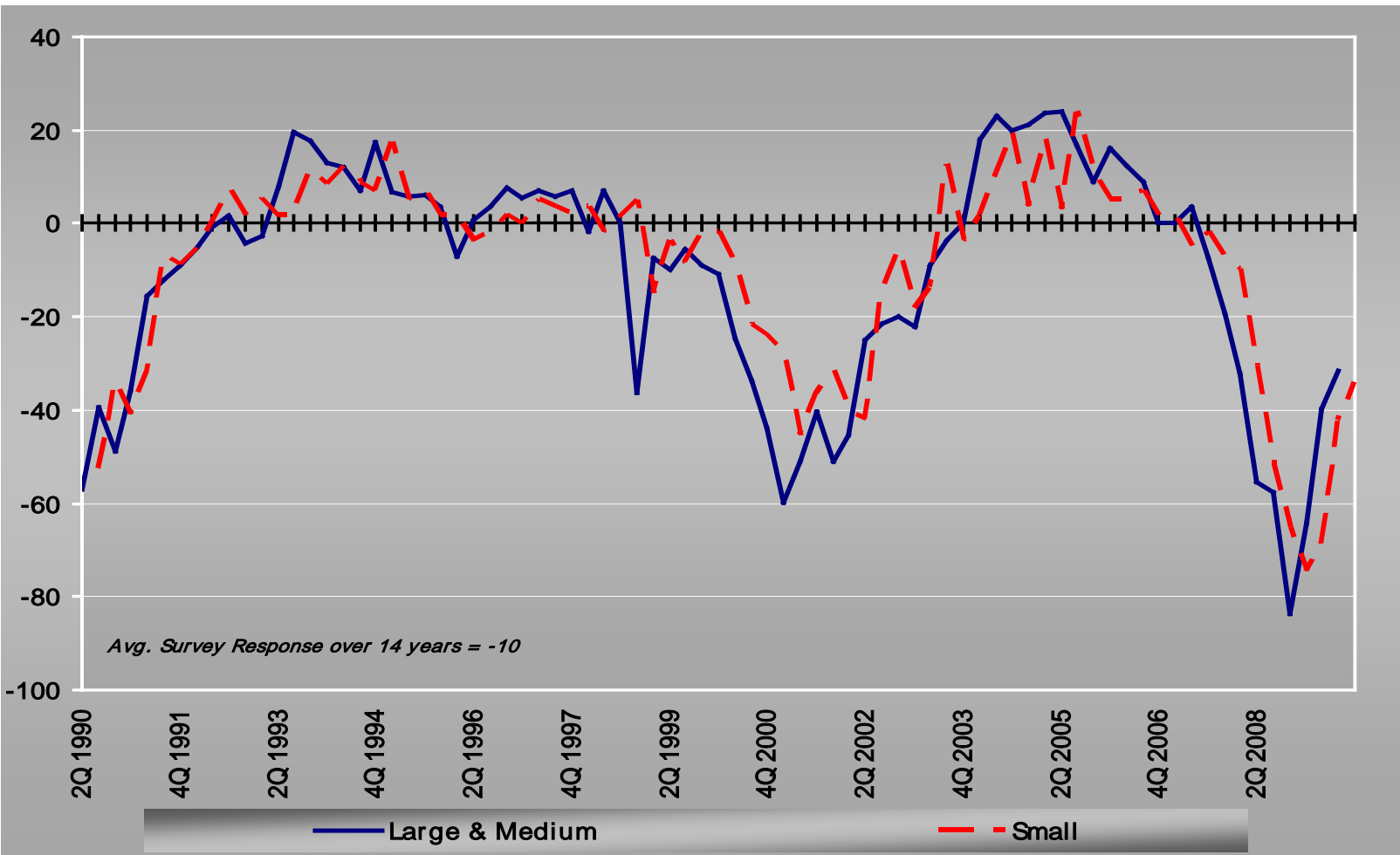
- ❑ Modest growth from consumer spending driven by the one-shot stimulus rebate checks, increased government expenditures and higher investment spending, enabled the U.S. GDP numbers to remain solidly positive in 1H:2008 despite the significant economic headwinds from the ongoing decline in residential construction and inventory liquidation.

U.S. ECONOMY LOOKED MARKEDLY WEAKER BY THE FALL 2008

- ❑ Even before the current financial crisis, the U.S. economy looked weaker by the fall of 2008.
 - Consumer spending was clearly weakening as the stimulus from the rebate checks waned;
 - Both consumer and business confidence were deteriorating;
 - The housing outlook was uncertain as the sub-prime crises began to spread tightening the credit markets;
 - Manufacturing was slowing down as the stagnant ISM Purchasing Manager's index (PMI), began to fall into negative growth territory;
 - Input costs to manufacturing remained elevated into September despite signs of weakening industrial production.
 - Economic growth outside the U.S., particularly Europe slowed markedly;
 - The dollar began to strengthen;
 - Corporate profits were forecast to be under pressure from weakening economic activity reflecting the delayed impact of material cost inflation.

C&I LOAN DATA SHOWS SEVERE TIGHTENING AS CREDIT CRUNCH UNFOLDED

C&I LOAN DATA – 1990 TO PRESENT



FINANCIAL MELTDOWN SHATTERED HOPE FOR INDUSTRIAL AMERICA

- ❑ The hope was that the U.S. industrial economy would muddle through this downturn.
- ❑ That hope was shattered with the meltdown of the financial sector and the spasm that gripped financial markets virtually shutting down the credit sector domestically for almost all companies no matter how credit worthy.
- ❑ The credit crisis quickly spread around the world curtailing global manufacturing activity.

U.S. ECONOMY DETERIORATED AS 2008 CAME TO A CLOSE

- ❑ The economic outlook for the U.S. economy deteriorated dramatically as 2008 came to a close under the pressure of a global credit crunch and the volatility of commodity prices and currencies.
- ❑ The key question is the severity and length of the downturn. Moreover, the downturn is affecting virtually every region of the world.

U.S. PMI PLUMMETS....

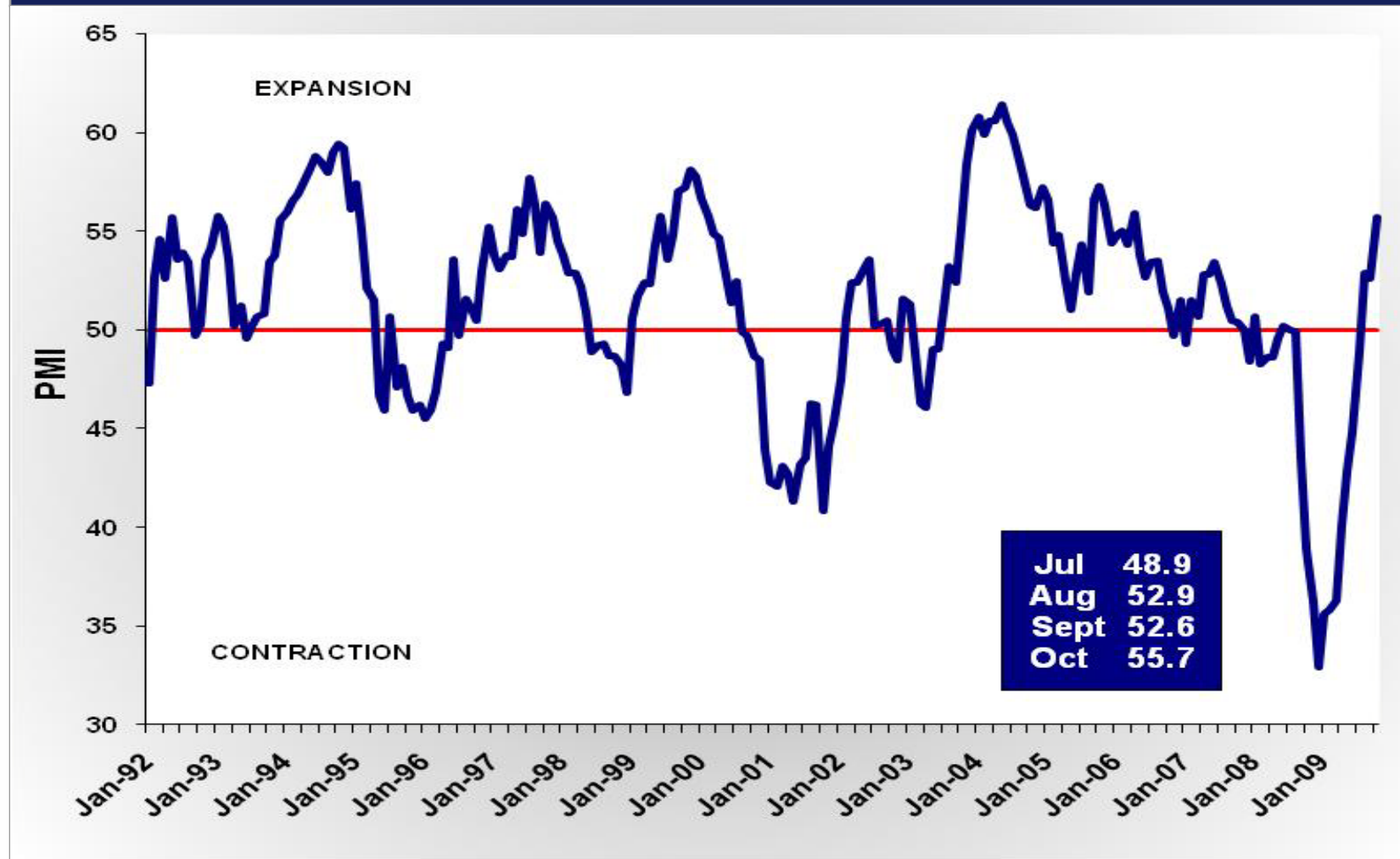
- ❑ The absence of credit and the failure of financial institutions quickly dragged the industrial sector into full fledged recession.
- ❑ Domestic manufacturing activity plummeted as industrial production turned sharply negative, capacity utilization dropped dramatically to the mid-60's, and the ISM PMI fell sharply to levels of clear contraction from 43.5 in September 2008 bottoming at 32.9 in December, before gradually recovery to 35.6 in January 2009 rising gradually to 40.1 in April, 42.8 in May, 44.8 in June, 48.9 in July , before crossing 50 to 52.9 in August ,52.6 in September and 55.7 in October.

.... *As Does Global PMI*

- *More important, the global economy and export outlook sharply deteriorated*
 - The European PMI plummeted from 45 in September 2008 bottoming at 33.5 in February 2009 before gradually recovering to 41.1 in April, 43.9 in May , 44.8 in June, 46.3 in July, 48.2 in August , 49.3 in September finally rising above 50 to 50.7 in October.
 - China also slowed markedly in late 2008, but was the first to show signs of recovery to growth (over 50 since April 2009) reflecting its focused stimulus program.
 - The dollar strengthened about 20% versus the Euro and 16% on trade-weighted basis during the global meltdown before reversing its course and giving back all of its gains and then some.

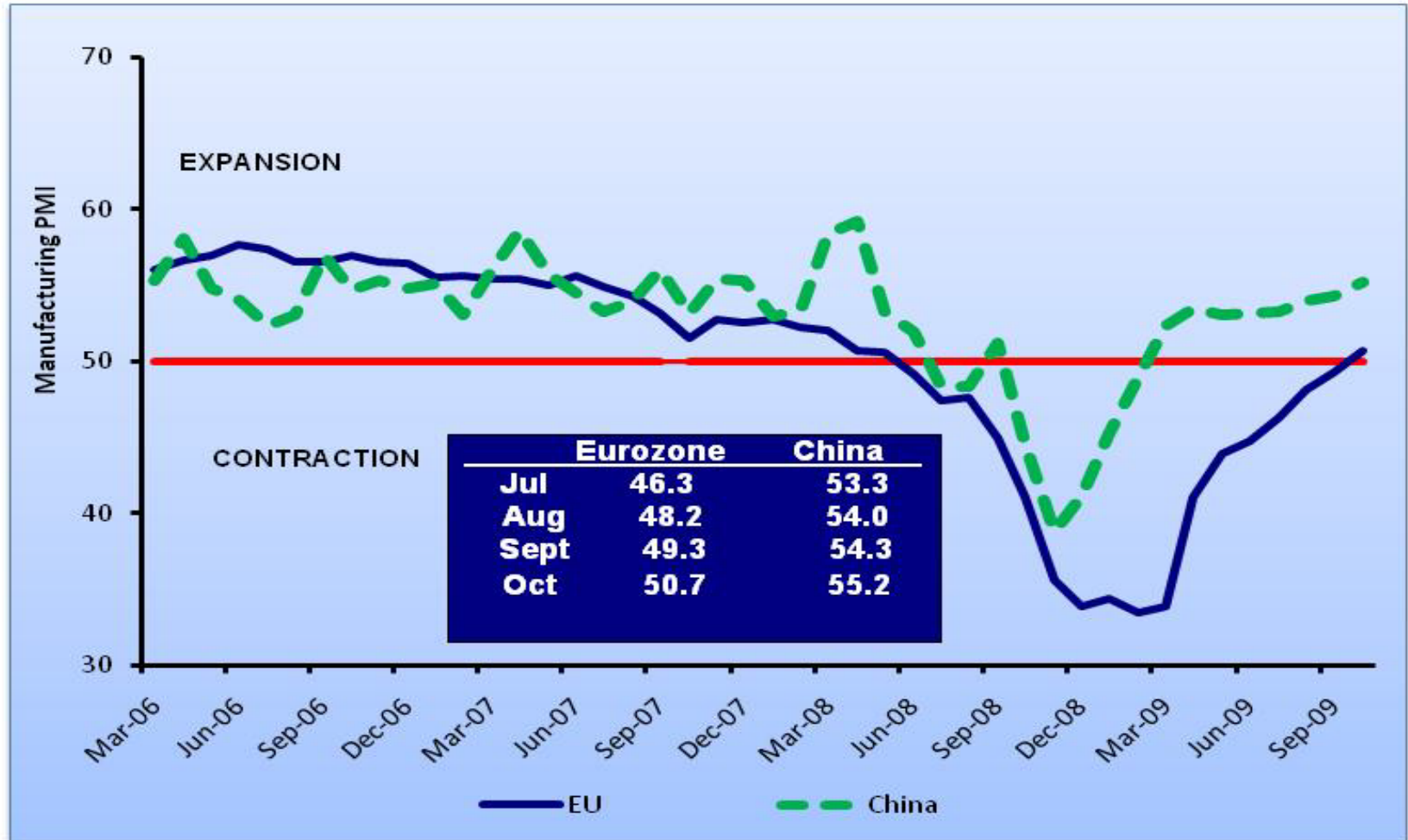
U.S. ISM PMI HAS SEEN A SLIGHT RECOVERY

U.S. ISM PMI INDEX – 1992 TO PRESENT



EUROZONE AND CHINA PMIs' ALSO DOWN SIGNIFICANTLY

EUROZONE PMI AND CHINA PMI - MARCH 2006 TO PRESENT



CREDIT/LIQUIDITY CRISES A THREAT TO THE WELFARE OF CONSUMERS AND BUSINESSES GLOBALLY

- ❑ With credit remaining tight globally, manufacturing activity softened at least thru 1H 2009 as companies curtail production and employment to liquidate inventories and match activity to the reduced levels of demand.
- ❑ The cancer of sub prime and other types of difficult to value financial instruments and the destruction of numerous financial institutions heightened the dramatic need for a capital infusion into the global financial market.
- ❑ This need for capital is being met by the U.S. Federal Reserve and Treasury as well as the Central Banks around the world:
 - The massive capital being made available to refinance the banking system,
 - The injection of liquidity into banks and other financial institutions,
 - Public-private investment fund for bad assets
 - Government guaranty of financial paper and debt of all types,
 - And the coordinated global move to cut interest rates
- ❑ Are all focused to free the financial sector from the current spasm that has threatened to halt global economic growth.

EARLY SIGNPOSTS FOR END OF RECESSION HAVE BEEN MET

- ❑ U.S. HOUSING DATA HAS BEGUN TO FLATTEN AND/OR IMPROVE—New Home Sales, Starts
- ❑ GLOBAL PURCHASING MANAGER INDEXES HAVE BEGUN TO RISE
- ❑ FINANCIAL RISK METRICS HAVE BEGUN TO NORMALIZE
 - E.G. Bond spreads, TED spread, ABX index, VIX,
 - Non-zero 90 day T Bill yields
- ❑ COMMODITY PRICES HAVE STABILIZED AND/OR BEGUN TO RISE
- ❑ GLOBAL EQUITY MARKETS HAVE IMPROVED; FINANCIAL MARKETS HAVE STABILIZED
- ❑ Economic recovery is born of a combination of Government policy efforts such as:
 - Stimulus packages recently passed by Obama Administration (deficit spending), and
 - The economy's built in recuperative powers e.g. stimulus for now \$40 to \$75 oil (down from \$147 peak), with gasoline prices generally in the \$2.00 to \$3.00 range (ex Chicago) from \$4.00 plus. (Note: the U.S. uses about 140 billion gallons per year suggesting the lower fuel prices may provide a huge stimulus.)

MASSIVE STIMULUS PROGRAMS IN PLACE FOR 2009 AND 2010

- ❑ US Stimulus package will carry a price tag of \$787 billion over two years:
 - Tax breaks of one sort or another will account for upwards of \$288 billion – Business: bonus depreciation, and selective 5 year loss carry-back
 - The remaining \$499 billion composed of outlays for food stamps to infrastructure (roads, bridges, mass transit, waterworks, electrical grid, environmental, alternative energy) to computerizing health care records;
 - Designed to create upwards of 3.5 million jobs over several years (compares to 2.5 million jobs lost in 2008);
- ❑ More money for bank rescue –Troubled Asset Relief Program (TARP);
- ❑ New Bailout Plan sets up Public-private investment fund for bad assets (TALF);
- ❑ Promotion of consumer and business lending.
- ❑ Help for homeowners including possible new foreclosure programs such as renegotiate terms of loans and payment schedules.
- ❑ International Stimulus Programs Include: South America \$775 billion; Europe/AME \$900 billion; Asia/Pacific \$850 billion; Japan \$250 billion

1H2009 GLOBAL ECONOMY WAS UGLY

- ❑ Worldwide synchronized recession lasting into late 2009
- ❑ 2008 Q4 likely biggest rate of decline in economic activity
- ❑ 1H:2009 was extremely difficult; credit markets in distress
 - Consumer spending, business spending and confidence dropping;
 - U.S. consumer spending negative in -3.3% in 2H08, +0.6% in 1Q09, -1.2% in 2Q09
 - Currency impact is negative on most companies
 - European economies in recession with falling domestic demand and exports; Japanese economy also in similar distress
- ❑ World trade in steep decline hurting every export dependent economy
- ❑ Commodity bubble has burst taking down every commodity related sector including Agricultural and Metals
- ❑ Chinese economy flat in Q4:2008 and 1H:2009. Focused stimulus program likely to drive second half recovery.
- ❑ Huge government policy response but largely experimental

RECESSION LIKELY OVER

2Q09 GDP Data Showed (2Q09RGDP -0.7%):

- Unusually Deep Inventory Liquidation

Date	Inventory Change	Contribution to GDP
4Q08	-\$37 Billion	-0.64%
1Q09	-\$114.0 Billion	-2.36%
2Q09	-\$160.2 Billion	-1.30%

- Stabilization of Final Sales

Date	Final Sales
2H08	-3.80%
1Q09	-4.10%
2Q09	+0.70%

- Home Sales up straight months Since March
- Monthly Real Exports and Core Capital Goods Orders Stabilizing

RECESSION LIKELY OVER cont.

- ❑ Consumer spending beginning to improve

Date	Spending
2H08	-3.3%
1Q09	0.6%
2Q09	-0.9%

- May Revised: +0.1%; June Revised: +0.4%
- 3Q09 came in at 3.4%
- ❑ Auto Sales improving from Cash for Clunkers program
 - 2Q09: 9.6 million average monthly Sales
 - June 2009: 9.7 million average monthly Sales
 - July 2009: 11.2 million average monthly Sales (w/ Cash for Clunkers)
 - August 2009: 13.7 million average falling back to 9.51 million annual rate in September

Near Term Economic Positives

- ❑ October ISM 55.7 compared to September ISM 52.6 and 52.9 in August
 - Orders 58.5 in October ,60.8 (September), 64.9 (August), 55.3 (July)
 - Production 63.3 (October), 55.7 (September) Vs. 61.9 (August) and 57.9 (July)
 - Employment 53.1 (October), 46.2 (September) Vs.46.4 (August) and 45.6 (July)
 - Inventory 46.9 (October), 42.5 (September) Vs. 34.4 (August) and 33.5 (July)
 - Ratio of October production/Inventory of 1.35 (Vs.1.31) and orders/inventory of 1.25 (Vs.1.43) are well off record levels of last two months but still suggest an ISM PMI over 50.
- ❑ Auto Sales Up, Mostly Driven by Cash for Clunkers reduced field inventories resulting in higher production levels
- ❑ Global PMI Improving even in Europe; China Growth is up

Productivity gains drove 2Q09 positive earnings surprise

- ❑ Productivity usually weak in a recession

Date	Productivity
1981	0.16%
1991	0.23%
2001	3.60%
2008/09	1.70%

- ❑ Productivity improved in 2Q09 while costs plummeted

Date	PRODUCTIVITY	MFG. COSTS
1Q09	0.30%	-2.70%
2Q09	6.60%	-5.90%

Productivity is STRONG coming out of recessions

YEAR	AFTER RECESSION	GROWTH
1975	2Q	6.50%
1980	4Q	4.40%
1983	1Q	5.10%
1991	2Q	5.90%
2002	1Q	7.20%
2009	2Q	6.60%
Source: WSJ/BEA		

3Q2009 GDP AT UPPER END OF PROJECTIONS

- Advanced 3Q09 GDP reported at +3.5%
- Inventory liquidation -\$130.8B compared to -160.2B in 2Q
- Final Sales +2.5% compared to +0.7% in 2Q
- Real Consumer Spending +3.4% Vs. -0.9% in 2Q
- Exports +1.5% offset by -2% impact of higher Imports
- **INSIDE 3Q09 GDP—Key Contributors to Change**
 - +1.0% From Motor Vehicles (cash for clunkers)
 - +0.9% from inventories
 - +0.8% from other consumer goods
 - +0.6% from Federal Spending
 - +0.5% from Residential Investment

Key Factors to help 4Q09 GDP to Positive Growth

- POSITIVE FACTORS CAN ADD AT LEAST 2 TO 4 PP OR MORE TO GDP GROWTH IN 4Q09:
 - Inventory drawdown starts to come to an end
 - Business spending stabilizes/improve
 - Exports sequentially more positive
 - Housing still adds to GDP
 - Credit crunch less oppressive
 - Personal saving rate rise stabilizes
 - Fiscal stimulus takes hold; in 3Q:09 government spending defense was 8.4% (Vs.+14.0% in 2Q); non-defense 6.8% (Vs.+ 6.1%); state and local spending -1.1% (Vs +3.9%)

Possible Challenges to Positive Growth in 4Q09 GDP

- ❑ POSSIBLE OFFSETS TO 4Q09 GDP GROWTH INCLUDE:
 - Imports which subtracted 2pp to 3Q:09 GDP continue to more than offset rise in Exports
 - Will government defense spending stay positive;
 - State and local spending can turn more negative
 - Consumer spending relapse or growth—weak holiday spending and end of cash for clunkers and possibly housing incentives in 4Q
 - Personal income in September stagnant, wages and salaries -0.2%; consumer spending -0.5%
 - Will non-residential spending decline accelerate

❑ ***BOTTOM LINE:***

4Q09 GDP Growth of 2.5% to 3.5%--lower end ?

U.S. ECONOMIC OUTLOOK:

Recovery Beginning

❑ REAL GDP SLOW GROWTH

	2005	2006	2007	2008	2009E	2010E	2011E
YEAR/YEAR	3.1%	2.7	2.1	0.4	-0.7	2.6	4.0

❑ CAPITAL SPENDING TO SLOW

	STRUCTURES	EQUIPMENT AND SOFTWARE	BUSINESS FIXED INVESTMENT
2004	1.1%	7.7	6.0
2005	1.5	8.5	6.7
2006	9.2	7.4	7.9
2007	14.9	2.6	6.2
2008	10.3	-2.6	1.6
2009E	-17.8	-19.2	-18.7
2010E	-7.7	4.5	1.2

U.S. ECONOMIC OUTLOOK: Recovery Beginning (CONT'D)

❑ MANUFACTURING OUTPUT STARTING TO RECOVER:

	2005	2006	2007	2008	2009E	2010E	2011E
YEAR/YEAR	4.0%	2.5%	1.4%	--3.2%	-10.5%	4.5%	4.0%

❑ INFLATION PRESSURES FURTHER SUBSIDE:

MFG IP	1Q	2Q	3Q	4Q
2008A	-1.2%	-5.4%	-9.3%	-18.1%
2009E	-22.0%	-9.0%	2.7%	2.1%

	2005	2006	2007	2008	2009E	2010E	2011E
CPI	3.0%	2.7	2.7	3.8	-0.4	1.3	2.1
CORE PCE	2.3	2.3	2.4	2.4	1.5	0.9	1.3

IMPROVING OUTLOOK FOR GLOBAL GROWTH

	2006	2007	2008	2009E	2010E
GLOBAL GROWTH	5.1%	5.2%	3.0%	-1.1%	3.1%
US	2.7	2.1	0.4	-2.7	1.5%
EU	2.8	2.7	0.7	-4.2	-0.3
GERMANY	3.0	2.5	1.2	-5.3	0.3
FRANCE	2.2	2.3	0.3	-2.4	0.9
ITALY	1.8	1.6	-1.0	-5.1	0.2
UK	2.8	2.6	0.7	-4.4	0.9
SPAIN	3.9	3.6	0.9	-3.8	-0.7
CENTRAL/EASTERN EUROPE	6.7	5.5	3.0	-5.0	1.8
JAPAN	2.4	2.3	-0.7	-5.4	1.7
CHINA	11.6	13.0	9.0	8.5	9.0
INDIA	9.8	9.4	7.3	5.4	6.7
RUSSIA	7.4	8.1	5.6	-7.5	1.5
MID EAST	5.7%	6.2	5.5	2.0	4.2
BRAZIL	3.8	5.7	5.1	-0.7	3.0
MEXICO	4.9	3.3	1.3	-7.3	3.3
CANADA	3.1	2.5	0.4	-2.5	2.1

***SOURCE:
IMF 10/09**

VIRTUALLY EVERY INDUSTRIAL END MARKET WILL BE UNDER PRESSURE IN 2009

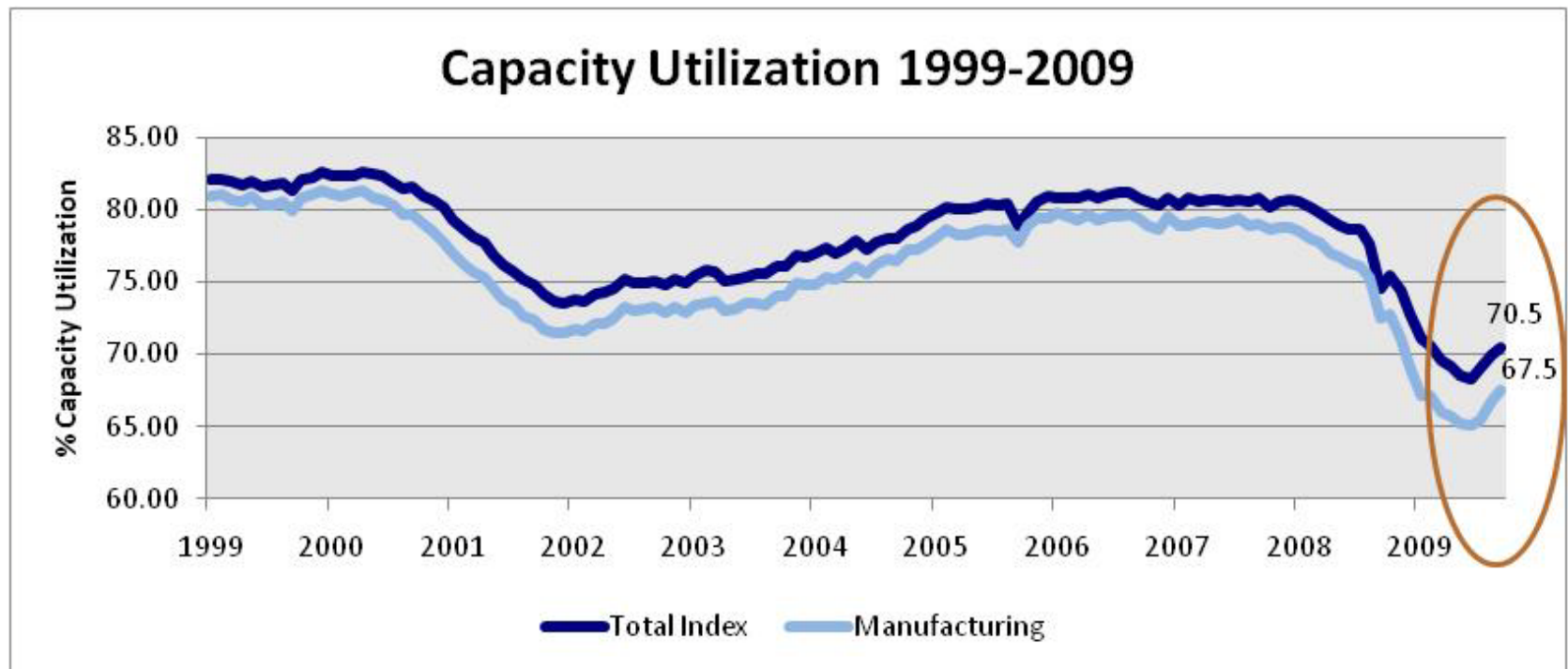
- ❑ Virtually every end market is facing or will face lower demand in 2009.
 - Housing fell over 30% to about 900,000 starts in 2008 and is still looking for a bottom. Best guess is another 40% decline in 2009 to about 550,000 with stabilization now occurring
 - Auto outlook remains ugly with 2008 production about 12.6 million. We're hoping that production in 2009 can hold in the 8-9 million range despite auto bankruptcies helped by the cash for clunkers program.
 - Construction equipment sales and production in 2008 were down 22% to 24% with 2009 now down at least another 45% to 50% as export sales wane and non-residential construction spending falls about 5% to 15% in 2009 and likely a similar amount in 2010. Worry about rental, mining and material handling.
 - The heavy truck sector saw a decline in production to about 205,000 in 2008 compared to 212,000 NAFTA shipments in 2007, while the decline medium truck (class 5 to 7) was 25% from 206,000 to 157,000 units. The lack of credit, the unfolding domestic recession and favorable fuel economy reviews for the 2010 engines has all but eliminated the need for any emissions related pre-buy with 2009 heavy truck production now likely to fall another 45-50% or more to about 106,000 or less, with perhaps another 40-50% plus production decline in the medium trucks sector

EVEN SECTORS ORIGINALLY EXPECTED TO HOLD UP ARE NOW FACING WEAKER DEMAND

- Even sectors that were originally expected to hold up in the weaker economic environment now find themselves under pressure from the credit crisis:
 - Farm machinery sales in NA fell 7% in 2008 though larger equipment rose 19% to 25%. However, the recessionary environment has taken its toll on commodity prices (down 50% plus) and the credit crunch has translated into a 25% to 30% decline at best for 2009 farm equipment sales in every global region except for NA large equipment.
 - Mining and oilfield machinery demand held up fairly well for most of 2008, but the recession has caused several 2009 mining projects have been postponed and weakening demand is now developing in the Mid-East and among basic material producers. Sales will decline 25% to 40% or more as 2009 unfolds through 2010..
 - The electrical equipment market has weakened entering 2009 being impacted by the credit crunch and the double-digit decline underway in new non-residential construction starts. Double-digit declines are likely.

SLOW INDUSTRIAL RECOVERY IN 2010

- ❑ We have dug a deep hole to climb out of in 2H09 and 2010
- ❑ Manufacturing Capacity Utilization is now in the Mid-60's compared to more normal 78% to 80%
- ❑ Virtually Every Industrial Sector is Currently Over-Capacitized Globally



2010 WILL FAVOR SHORT-CYCLE, PRODUCTIVITY & EFFICIENCY

- ❑ LITTLE NEED FOR CAPITAL EQUIPMENT FOR EXPANSION IN 2010
 - Need to absorb excess capacity
 - Only exception may be for new products
 - Production increases mostly related to end of inventory liquidation; production level will more closely match end market sales
 - Smaller, lighter equipment likely to outperform heavy equipment which could decline through 2010
- ❑ 2010 WILL FAVOR ENERGY EFFICIENCY, AND PRODUCTIVITY ENHANCING
- ❑ FASTER RECOVERY FOR TECHNOLOGY, COMPONENTS (MRO AND INVENTORY RESTOCKING) AND CONSUMMABLES AS INDUSTRIAL PRODUCTION RISES
- ❑ INVENTORY RESTOCKING IS THE KEY

2011-2012: SLOW CLIMB BACK TOWARDS MORE NORMAL DEMAND

- ❑ Real growth of demand for equipment likely to return in 2011 unless policy mistakes are made
- ❑ U.S. government stimulus programs will likely play a greater role in 2011-2012 and beyond than in 2009-2010.

2011-2012: The NEW Normal Level of Demand

- New more NORMAL level of demand perceived to be lower than end market demand realized in 2006-2008
 - Auto unlikely to return quickly to 16 to 17 million car sales that prevailed from 1999-2005; perhaps 12.0 million to 13.5 million is the new norm;
 - Housing unlikely to return quickly to 2 million starts; New norm may be 1.3 to 1.6 million over the next few years with cautious funding keeping starts below 1 million at least into 2011.
 - Truck market likely to return to more normal levels of demand as early as 2011 e.g. class 8 trucks in the 175,000 to 225,000 range. Prior level peaks of over 300,000 unlikely until at least the next emission cycle;
 - Construction and mining, engines and turbines, railcars and other heavy equipment face a slow recovery through 2012 to levels likely below 2006 to 2008.
 - Farm equipment end market demand growth dependent on global economic growth, global demand and weather. Growth could resume as early as 2011.
 - Electrical markets/alternative energy growth probably resumes post 2010.

Farm Equipment

CREDIT TURMOIL HAS TAKEN ITS TOLL

FARM EQUIPMENT: FROM CROP SURPLUS TO TIGHT SUPPLIES

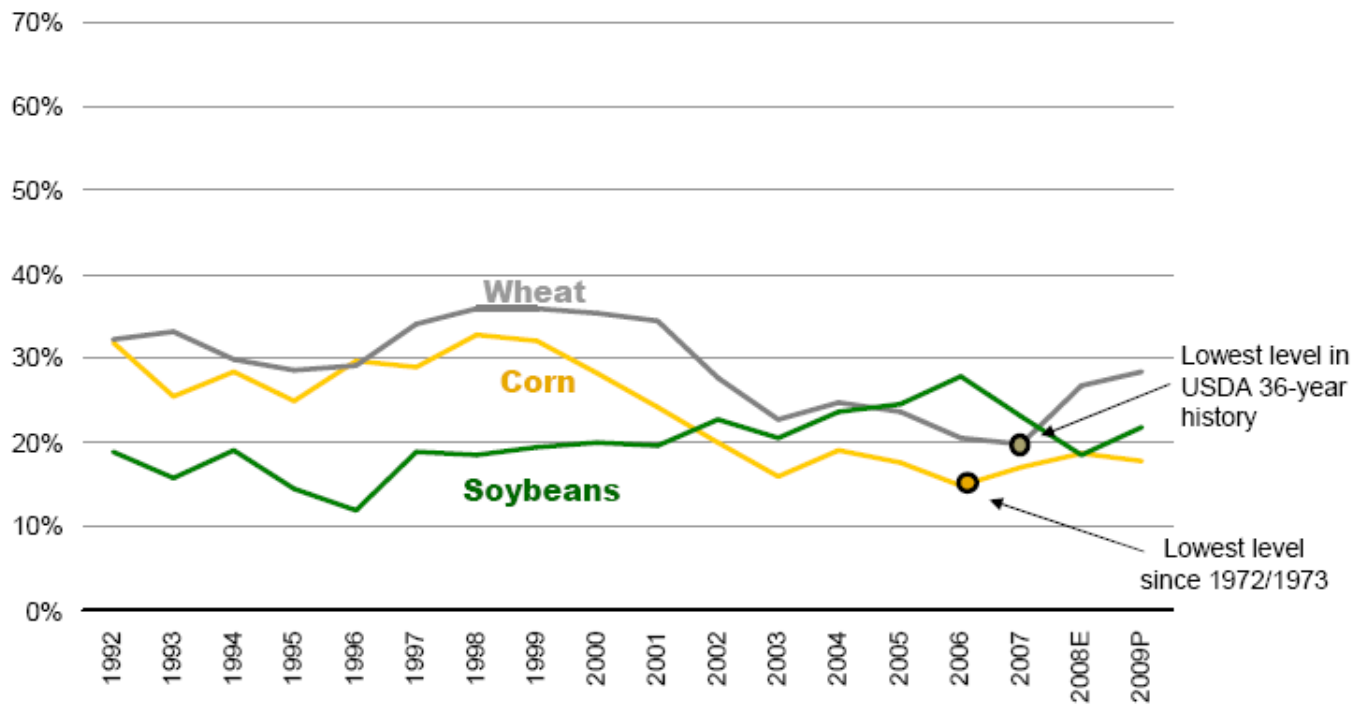
- ❑ U.S. grain supplies were well above normal as recently as 2005/06.
- ❑ Rising ethanol demand, lower plantings and global weather problems have reduced global carryovers to very low levels for wheat and corn.
- ❑ Farm income was relatively flat through 2006 buoyed by government payments. Farmers rebuilt their balance sheets and cash flow during this period was strong.
- ❑ 2004 was the last recent strong year for farm equipment demand driven by big Federal depreciation and tax incentives. Demand has been relatively flat in 2005 and 2006
- ❑ Farm income grew in 2007 and into 2008 driven by surging commodity prices
- ❑ The second half 2007 upturn in farm equipment demand gathered momentum in 2008 with 19% to 25% plus gains in large equipment in NA and very strong sales in Brazil.

U.S. FARM EQUIPMENT SALES 2008

TRACTORS	UNITS	%CHANGE
LESS THAN 40 HP	98,976	-14.6%
40-100 HP	67,885	-13.1%
100 HP PLUS	26,291	25.9%
TOTAL 2 WHEEL	193,152	-10.1%
4 WHEEL	4,431	21.2%
TOTAL TRACTORS	197,583	-9.6%
COMBINES	8,460	19.1%

GLOBAL GRAIN STOCKS-TO-USE RATIOS HAVE IMPROVED MODESTLY

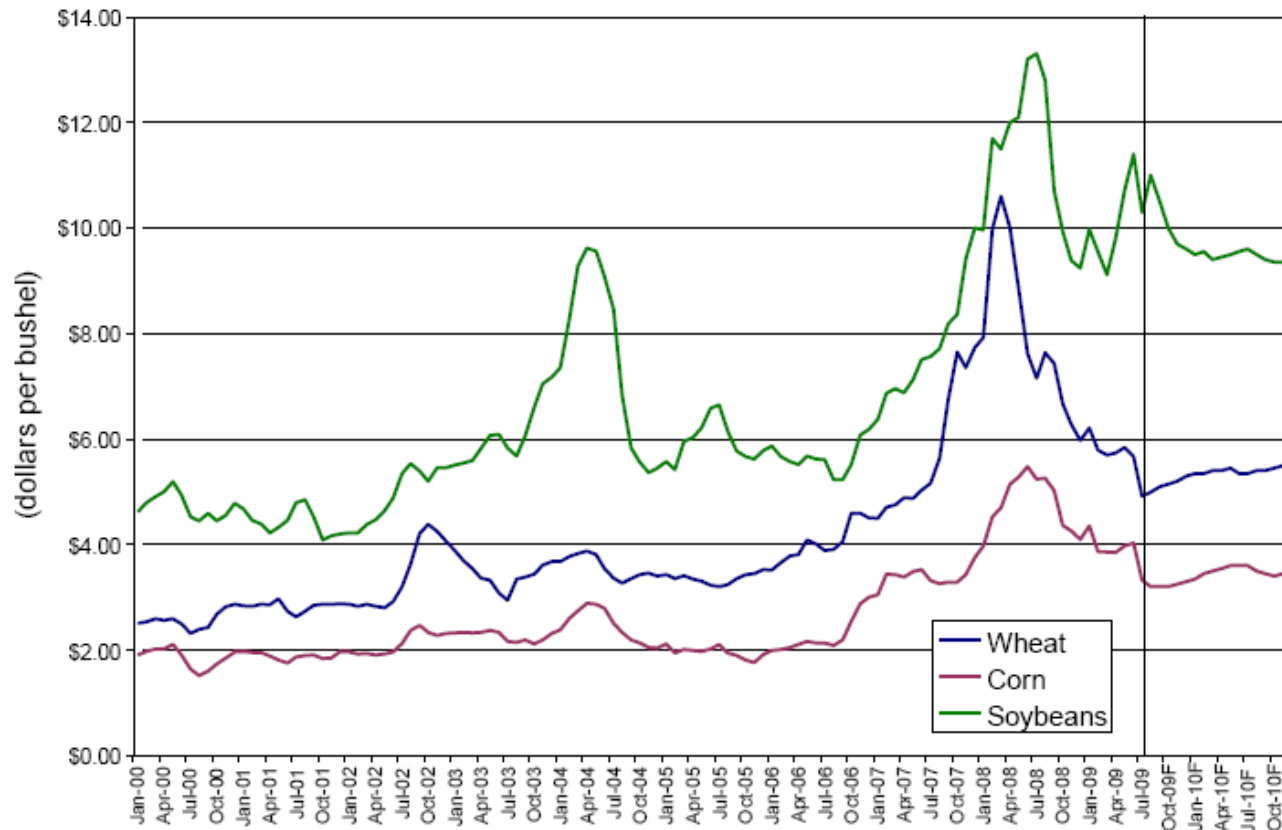
World Farm Fundamentals Global Stocks-To-Use Ratios



Source: USDA - 12 August 2009

US FARM PRICES FALL FROM HISTORIC HIGHS...

U.S. Farm Prices



Source: Actual Data: USDA

Forecast Data: Deere & Company Forecast as of 19 August 2009

...AS HAVE AG COMMODITY PRICES

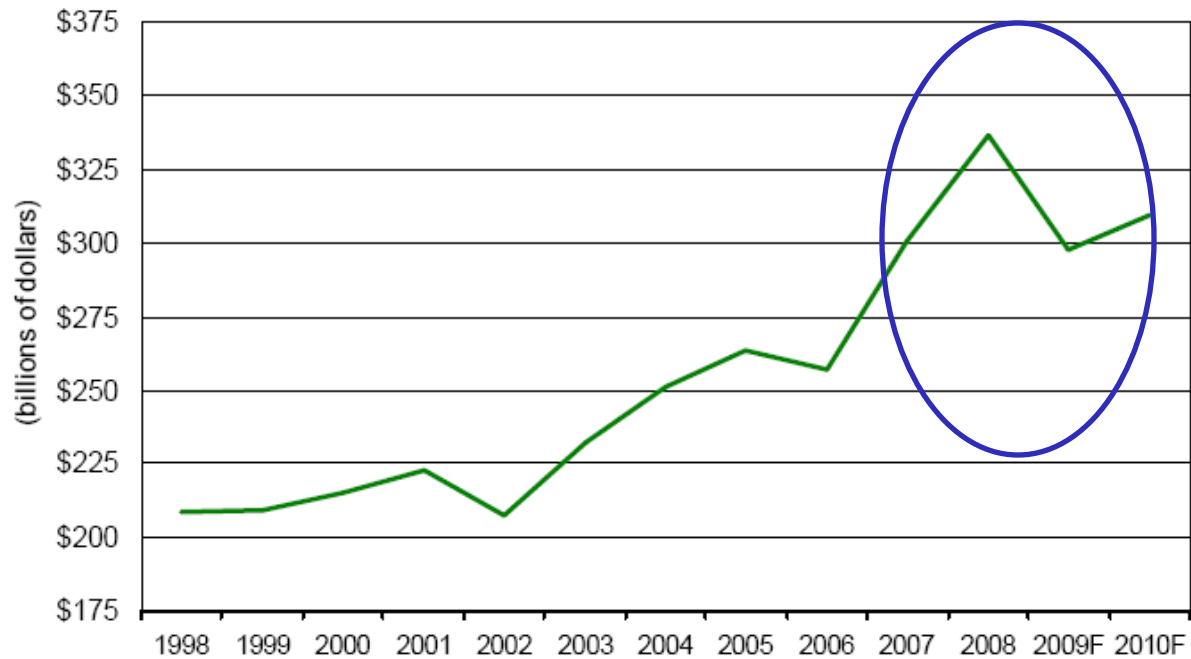
DE's Most Recent Price Forecast

Crop	2007/2008	DE 2008/2009		DE 2009/2010		USDA September Mid-Point
		Forecast (May 2009)	Forecast (August)	Forecast (May 2009)	Forecast (August)	
Corn	\$ 4.20	\$ 4.00	\$ 4.10	\$ 3.80	\$ 3.40	\$ 3.35
Wheat	\$ 7.35	\$ 6.80	\$ 6.80	\$ 5.25	\$ 5.25	\$ 5.10
Soybeans	\$10.10	\$ 10.00	\$ 10.00	\$ 9.60	\$ 9.70	\$ 9.10

Deere Projections as of August 19, 2009

... *ALTHOUGH THEY WILL LIKELY PICKUP IN 2010*

U.S. Farm Cash Receipts Total Cash Receipts



Source: 1998 - 2008: USDA 11 August 2009
2009 - 2010: Deere & Company Forecast as of 19 August 2009

WEAK OUTLOOK FOR 2009 FARM EQUIPMENT SALES

- ❑ U.S. AND CANADA OUTLOOK NOW DOWN 20% TO 30%
 - Possible modest increase in large tractors and combines for 2009; 2010 outlook uncertain and likely down
 - Cotton equipment, small tractors and equipment used by livestock producers will decline
- ❑ South America demand will likely decline 25% to 45%
 - Credit access in Brazil
 - Drought conditions in Argentina, Brazil, and Uruguay
- ❑ Western Europe Down 10% to 15% in 2009
- ❑ Central Europe and CIS (including Russia) outlook depends on credit markets; now down significantly

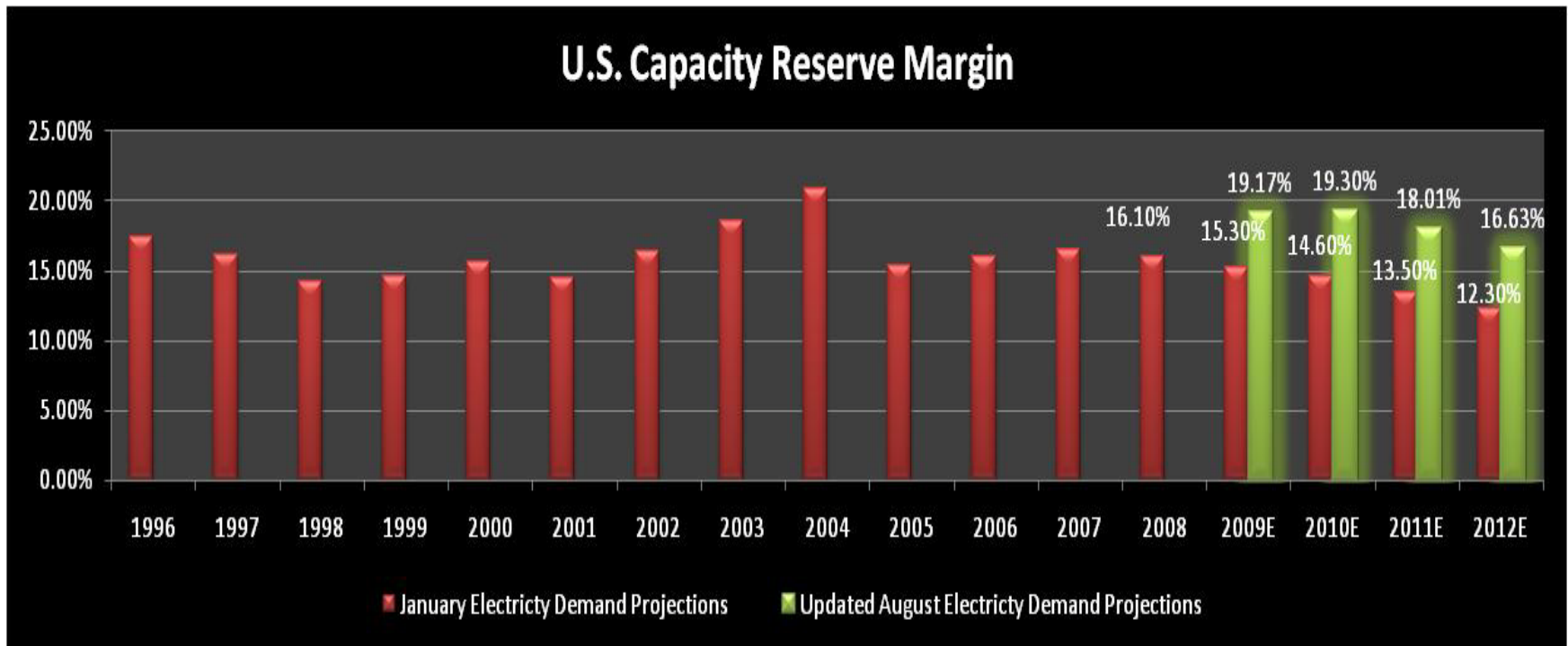
NEAR-TERM OUTLOOK FOR NA FARM SECTOR IS WEAKENING

- ❑ Weather plays an inordinately important role in the future of commodity prices and farm equipment demand.
- ❑ Current crop outlook is favorable both in North America and Globally
- ❑ The forecast is for flat to lower commodity prices compared to the average for 2008/09 assuming normal weather and trends.
- ❑ Crop prices and the resulting farm income are key indicators of farm equipment sales.
- ❑ Combined with recent data of a decline in farm land prices for the first time in decades, the outlook for farm equipment demand for the remainder of F2009 and F2010 fiscal year has become more clouded and may be moderately lower than 1HF2009.
- ❑ Our projection is for NA farm equipment sales to be weakened, down 10% to 20% reflecting falling large equipment shipments; ROW recovers somewhat (up 5% to 10%) from 2009 weakness led by double –digit gains in Brazil.

Power Generation

STILL IN DESPERATE NEED OF AN ENERGY POLICY

RESERVE MARGINS STABLE FOR NOW AS ELECTRICITY DEMAND DECLINED IN 2008-2009



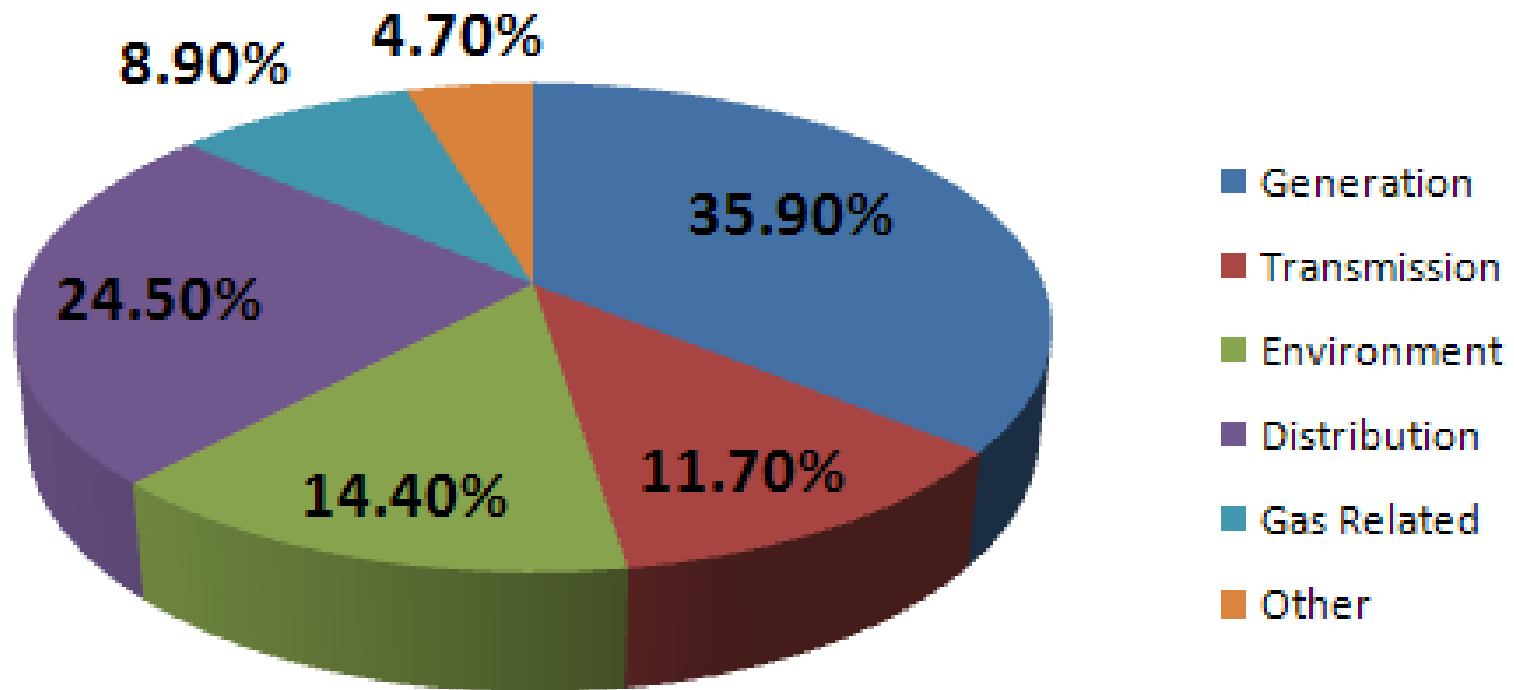
CUMULATIVE PLANNED ADDITIONS TO ELECTRICAL GENERATION FACE LOTS OF DELAYS

Energy Source	2008	2009	2010	2011	2012
Coal	1,131	6,082	4,996	4,514	6,624
Petroleum	90	1,045	55	720	--
Natural Gas	9,780	12,334	8,911	6,919	10,156
Other Gasses	--	--	--	--	--
Nuclear	--	--	--	--	1,270
Hydroelectrical Conventional	18	6	6	204	2
Wind	9,821	3,661	1,045	90	--
Solar Thermal and Photovoltaic	23	127	315	1,050	880
Wood and Wood Derived Fuels	32	60	68	14	114
Geothermal	138	30	87	128	--
Other Biomass	173	129	1	122	2
Pumped Storage	--	--	--	--	--
Other	22	--	--	--	--
Total	21,226	23,475	15,484	13,762	19,049

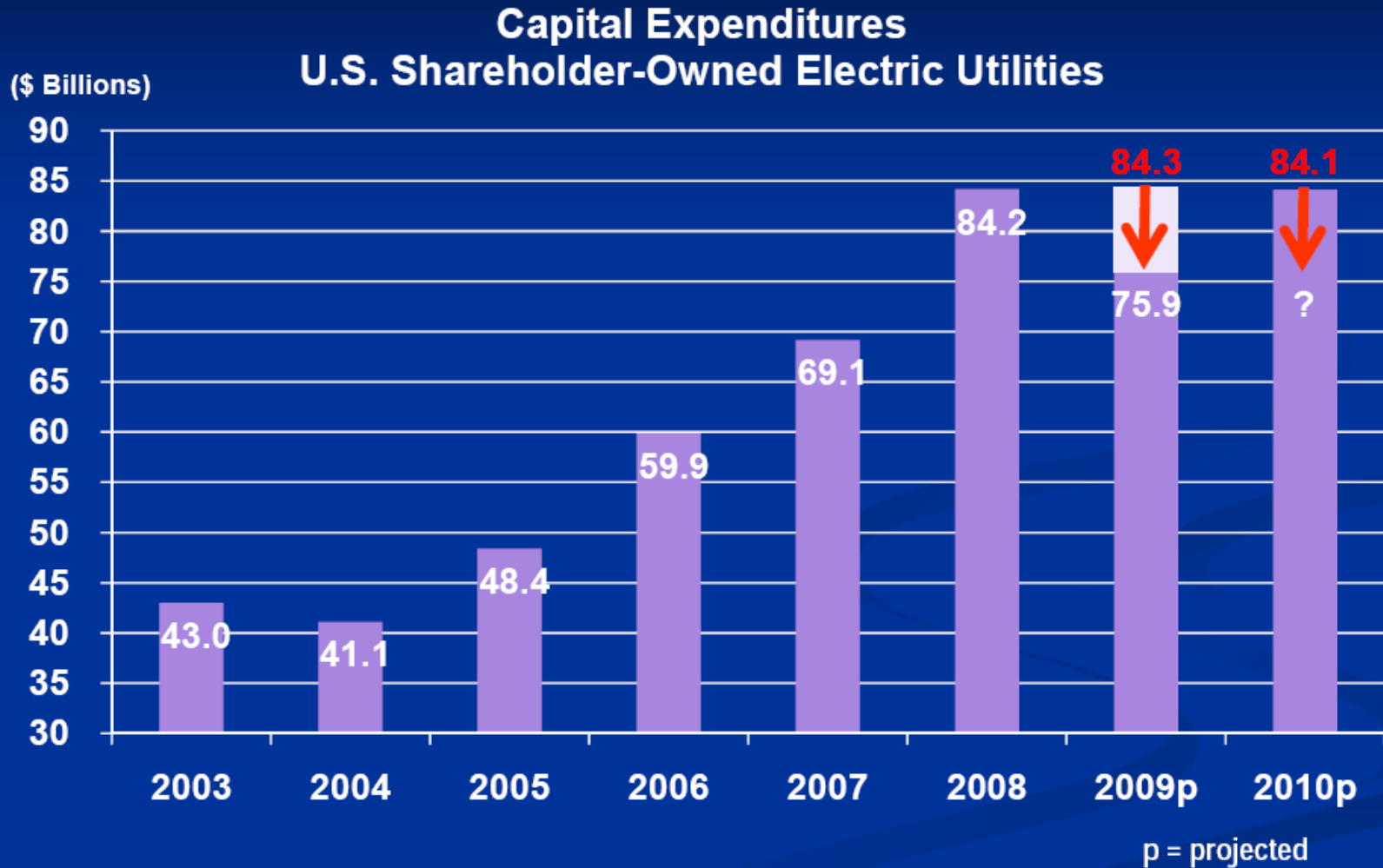
Source: Energy Information Administration, Form EIA-860, "Annual Electric Generator Report."

BREAKDOWN OF CURRENT UTILITY CAPITAL EXPENDITURES

2008 Projected Capital Expenditures



AVERAGE 10% REDUCTION IN CAPITAL SPENDING IN 2009



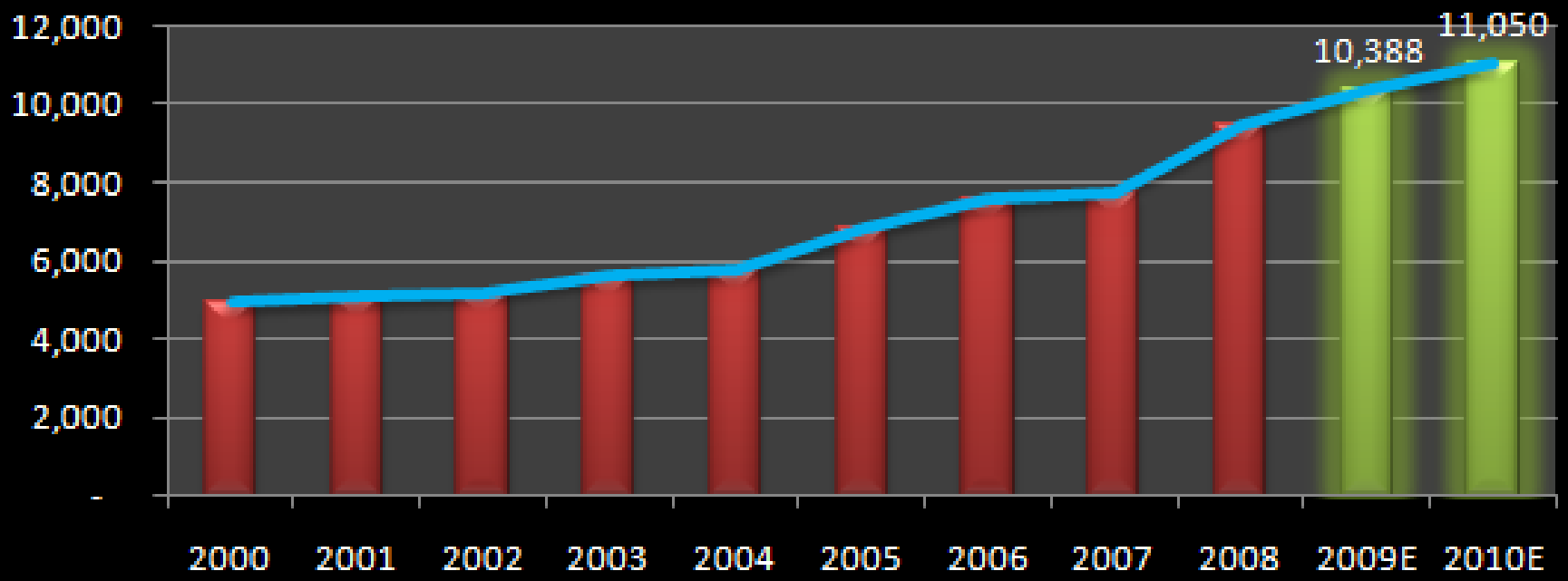
Source: EEI Finance Department, company 10-K filings, and company presentations



LONGBOW Research

ACTUAL AND PLANNED TRANSMISSION EXPENDITURES

Actual and Planned Investment by Investor-Owned Electric Utilities



SLOW RECOVERY ENGINES AND TURBINES LIKELY

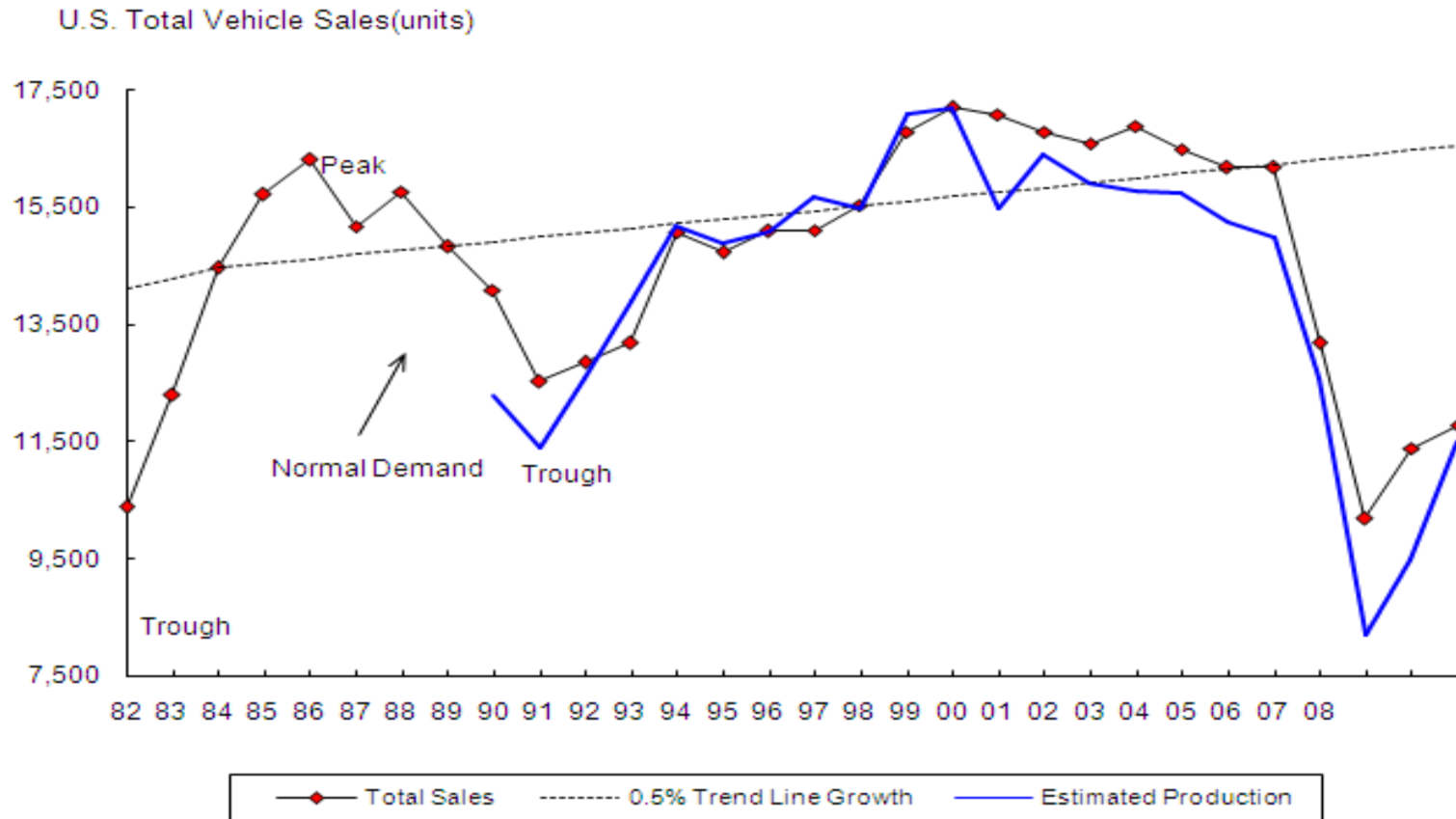
<i>END MARKET</i>	% CHANGE	
	2009/08	2012 Vs. 2009
PETROLEUM	-12%	FLAT WITH 2009
MARINE	-12%	DOWN 9% Vs. 2009
ELECTRIC POWER	-20%	UP 22% Vs. 2009
INDUSTRIALS	-40%	UP 30% FROM 2009

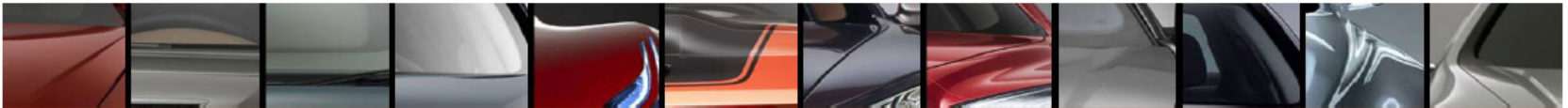
Source: CATRERPILLAR

Automotive

THE UGLINESS IS OVER; FOR NOW ITS JUST UGLY

SALES CYCLE IS IN MASSIVE DECLINE

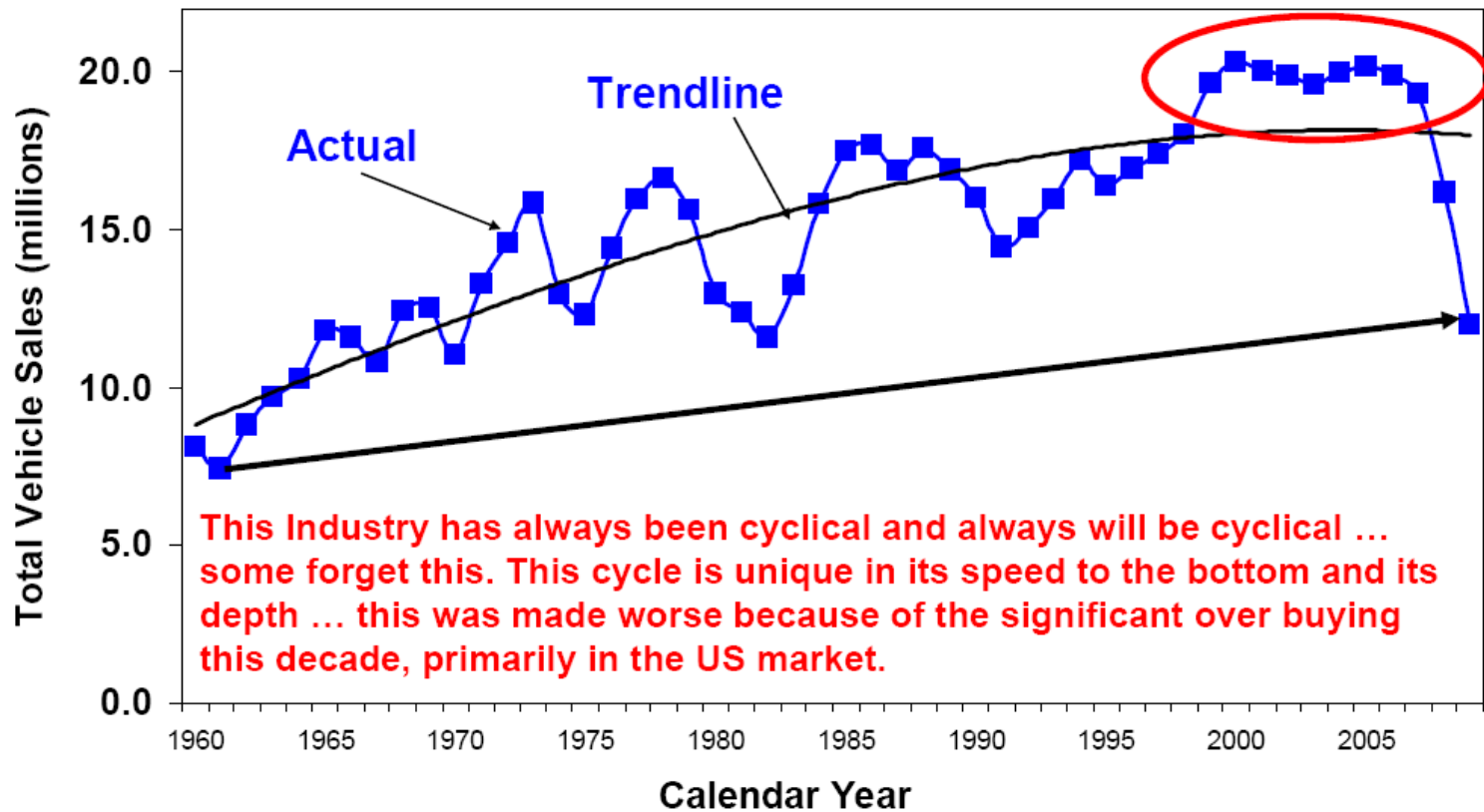


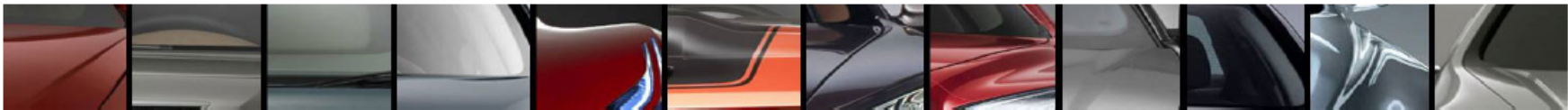


Total North American Vehicle Sales

1960 - 2009F

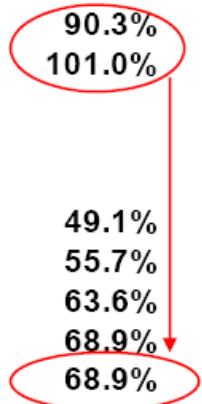
**Significant Over Buying
The Great Plateau**





Vehicle Ownership Trends USA vs. Canada

	TOTAL UNITS IN OPERATION	DRIVING AGE POPULATION MILLIONS	VEHICLES PER DRIVING AGE POPULATION	MILES DRIVEN PER VEHICLE
UNITED STATES				
1960	67,905,635	124.6	54.5%	10,521
1970	98,135,968	147.1	66.7%	11,262
1980	139,831,316	176.4	79.3%	10,879
1990	179,299,202	195.1	91.9%	11,977
2000	200,415,312	221.9	90.3%	13,706
2008	244,893,963	242.5	101.0%	12,217
CANADA				
1960	5,787,703	11.8	49.1%	12,714
1970	8,394,444	15.1	55.7%	13,039
1980	12,039,552	18.9	63.6%	11,912
1990	15,128,911	22.0	68.9%	13,669
2000	17,100,899	24.8	68.9%	14,341



Canada meets its transportation needs very well with much less vehicle ownership ... what would happen if the US moved to Canada levels



New Vehicle Sales In the U.S.A. to 2020 under Different Ownership Assumptions

	Ownership Level by 2020 Percent	Implied Average Annual Sales Millions Of Units
Note: These are US only Sales		
2000 - 2008 Average	101.0%	16.8
Scenario #1 by 2020	75.0%	9-10
Scenario #2 by 2020	85.0%	11-12
Scenario #3 by 2020	95.0%	12-13
Scenario #4 by 2020	105.0%	14-15

• **Even with an increase in ownership, new vehicle sales average only 14-15 million units per year in the US to 2020 compared to 16.8 million units per year this decade ... at Canadian ownership levels new vehicle sales in the US would average only 9 to 10 million units per year this coming decade ... truly a nightmare scenario.**

AUTO INDUSTRY FACES SOME DIFFICULT YEARS

Year	NAFTA PRODUCTION (in millions)
2004	15.8
2005	15.75
2006	15.25
2007	15
2008	12.6
2009E	8 to 9
2010E	10 to 11
2011E	11 to 13

COMPANY	YoY SALES GROWTH			
	2007	2008E	1Q09	2Q09
GM	-8%	-20%	-59%	-54%
FORD	-7%	-21%	-49%	-34%
CHRYSLER	0%	-26%	-55%	-85%
DETROIT 3	-6%	-21%	-54%	-46%
NEW DOMESTIC	6%	-8%	-45%	-39%
TOTAL		-16%	-51%	-44%

European build: 1Q09 -44.1%; 2Q09 -22.5%
 European build 2009: 16 to 17 Million, down
 20% to 25%

GLOBAL AUTO OUTLOOK; A HUNDRED FACTORIES TOO MANY

2009 OUTLOOK: GLOBAL CAPACITY 94 MILLION, OR 34 MILLION TOO HIGH

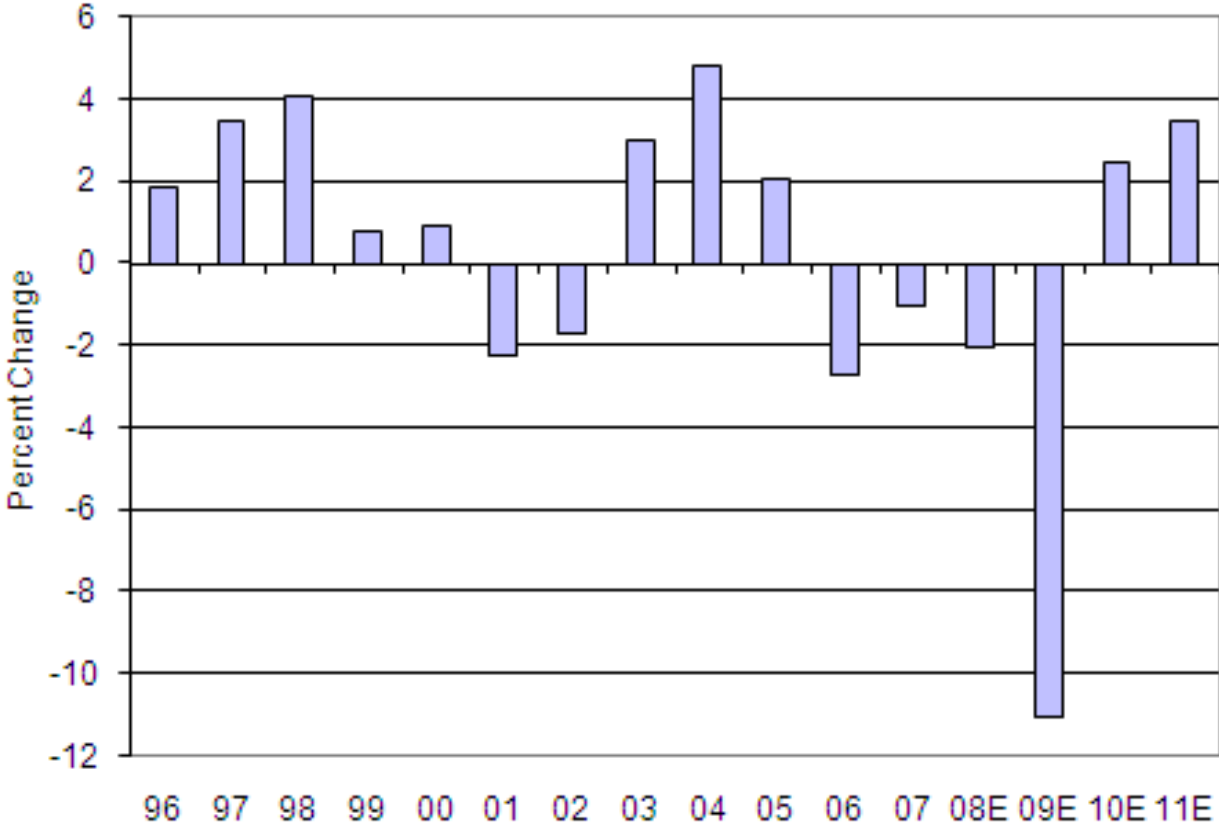
	2009 PRODUCTION	2009 EXCESS CAPACITY
NORTH AMERICA	8.2 MILLION	9.1 MILLION
SOUTH AMERICA	3.7	1.8
EUROPE	16.8	10.5
MID-EAST	1.7	0.8
GREATER CHINA	7.8	8.0
JAPAN/KOREA	13.9	3.4
SOUTH ASIA	4.7	3.6
TOTALS	56.8 MILLION	37.2 MILLIONS

Source: CSM

ON HIGHWAY VEHICLES:

A SLOW PAINFUL RECOVERY

U.S. Truck Freight Tonmiles Remain Weak



Source: ACT; FTR Associates

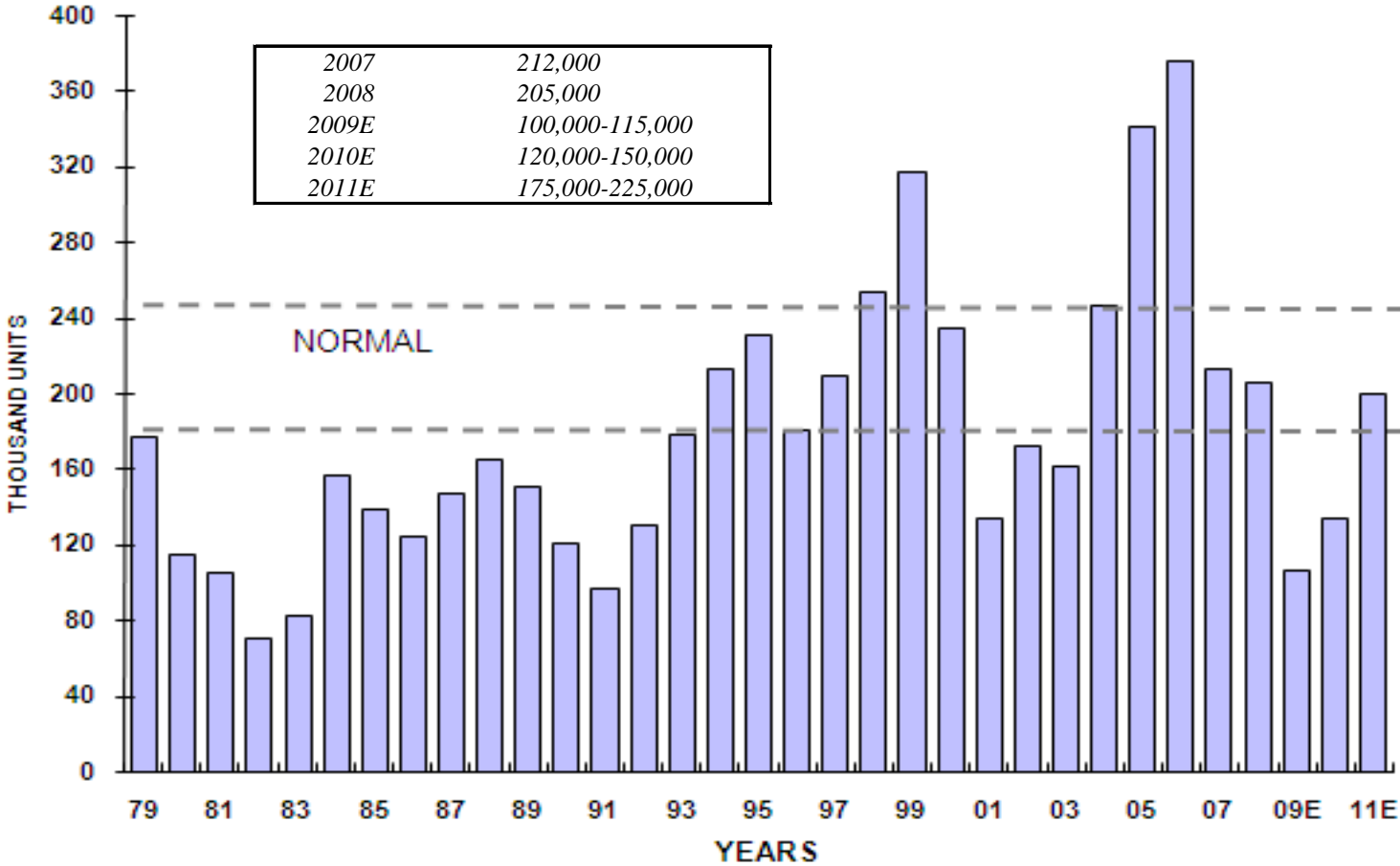
2008-2009: TOO MANY TRUCKS CHASING TOO LITTLE FREIGHT

- ❑ High diesel fuel costs and a weak domestic economy continue to be a major problem for the truck sector
 - Profits are getting squeezed to the point that businesses are going under and fleets are being downsized.
 - Any increase in demand or base pricing follows markets where competition is shrinking due to existing from business;
 - Buying used trucking fleets as firms exit the market is a viable alternative to new purchases near-term
- ❑ Our Truck Surveys suggest
 - Smaller trucking confirms could care less about pre-buy and emissions and are trying to survive 2008 and 2009;
 - Larger fleets are definitely paying attention to the 2010 mandate but continue to postpone definitive decisions with respect to pre-buy or the use of Urea; initial testing of Urea trucks very positive but the concern of availability of Urea still paramount.
- ❑ 2008 NAFTA class 8 build of 205,000, was down modestly from the 212,000 built in 2007.
- ❑ Freight movement has continued to fall as the recession took its toll.

2010-PRE-BUY IS UNLIKELY

- ❑ Companies BUY TRUCKS TO MOVE FREIGHT
- ❑ Pre-buy of trucks unnecessary – **You don't move freight in a recession!**
 - Weak economy will keep freight demand soft for most of the year;
 - Current equipment in good condition though average fleet age is creeping up at 6.2 years. Age doesn't matter if you are not moving freight!
 - Plenty of capacity available; USED TRUCK PRICES VERY WEAK
 - Used capacity coming to market as companies fail; current failure rate is 1,000 companies per quarter freeing 40,000 trucks
 - Potentially more favorable economics for 2010 engines compared to 2007 if increase in fuel economy is correct
- ❑ 2010 Truck Prices are going up
 - Volvo \$9,600
 - Daimler-Benz w/ Cummins Engines up \$6,700 to \$7,300; with Detroit Diesel Big Bore \$9,000
 - Navistar \$6000 (MaxxForce 7,DT, 9 10) to \$8,000 (MaxxForce 11,13)

Class 8 Heavy-Duty Diesel Truck Demand: A Return To Normal Levels?



ECONOMY, CREDIT MARKETS TAKING ITS TOLL ON OTHER TRUCK CLASSES

NAFTA PRODUCTION			
YEAR	CLASS 8	CLASS 5-7	TRAILERS
2006A	376,448	274,707	303,016
2007A	212,391	206,213	229,624
2008A	205,000	157,000	155,360
2009E	105,000-115,000	85,000-92,000	77,000-82,000
2010E	120,000-150,000	100,000-125,000	100,000-125,000
2011E	175,00-225,000	140,000-170,000	135,000-165,000

SOURCE: ACT; LBR PROJECTIONS

CONSTRUCTION EQUIPMENT:

STILL SEARCHING FOR A BOTTOM

NA CONSTRUCTION ACTIVITY FACES UNCERTAIN OUTLOOK

2002: A good year for all except non-residential

- Housing was very strong at 1.71 million starts up from 1.6 million benefiting from higher incomes, lower mortgage rates and household asset diversification.
- Non-residential activity remained very weak reflecting high office vacancies, consolidating retail sector, and weak industrial plant construction exacerbated by 09/11.

2003: Total construction remained strong

- Both residential (1.85 million starts) and public construction were healthy
- Non-residential continued to decline

2004: Modest growth as non-residential spending finally turns up 3%-4% (mostly price). Residential stays surprisingly strong at 1.95 million starts, as expected H2 fade never materializes.

2005: Residential was expected to decline, but sector remained resilient as housing starts actually rose to 2.07 million. Nonresidential continued to recover rising 6.4%.

2006/07: Housing starts declined 12% to 1.82 million in 2006 and fell another 26% in 2007 to 1.34 million. Non-Residential construction grew about 16% in 2007, up from 12.3% in 2006, nearly offsetting the housing decline.

2008/09: Housing, which fell 33% to about 900,000 starts in 2008, will likely decline to about 40% in 2009 to about 550,000 though the sector is now finally stabilizing; Non-residential construction spending which rose 12% in 2008 (15% private, 7% public) is expected to fall 5% to 15% in 2009 and a similar amount in 2010.

MOST NON-RESIDENTIAL MARKETS WILL SOFTEN IN 2009

CATEGORY	%NON-RES	2007A	2008A	2009E	2 010E
EDUCATIONAL	15%	13%	8%	-3% to 3%	
COMMERCIAL	13	16	-4	-25 to -35	
HIGHWAY/STREET	11	6	6	-5 To +5	
OFFICE	11	19	12	-15 to -30	
POWER	10	34	33	+5 to 15	
HEALTHCARE	6	11	8	+0 to 10	
MANUFACTURING	8	20	51	+0 to 20	
LODGING	5	58	29	-20 to -40	
TRANSPORTATION	5	16	9	-5 to -10	
COMMUNICATION	4	22	-8	-5 to -15	
SEWAGE/WASTE	4	6	5	- 5 to +5	
AMUSEMENT/REC	3	14	6	-5 to +5	
WATER SUPPLY	2	4	9	0 to 10	
TOTAL		+16%	+12%	-5% to -15%	-5% TO-15%
Private			15		
Public			7		

NA CONSTRUCTION MACHINERY SALES COULD BE NEGATIVE INTO 2010

- ❑ For 2008, NA sales of machines were off about 22% to 24% with light equipment down 24% and heavy equipment down 22%. Our forecast is for a further 45% to 50% or more decline in 2009 for small, medium and large equipment.
- ❑ Most sectors of Non-residential construction will be lower with spending falling in 2009 and 2010.
- ❑ Mining trucks and shovels were higher in 2008 (low double-digits) but likely to decline 35% to 50% in 2009 and at least another 15% to 20% in 2010.
- ❑ Inventories, both new and used, built up rapidly at dealers at year end 2008. F2009 has seen MAJOR inventory reduction programs by both OEM's and dealers; Used equipment prices has fallen at least 20% or more as financing has been difficult.

2009 CONSTRUCTION DEMAND IS VERY WEAK GLOBALLY

CONSTRUCTION EQUIPMENT	%CHANGE 2009/08E
LIGHT EQUIPMENT WORLDWIDE	-50%
○ North America	-50% to -55%
○ Western Europe	-50% to -55%
○ Latin America	-50% to -55%
○ Rest of World	-60% to -65%
HEAVY EQUIPMENT WORLDWIDE	-45%
○ North America	-50%
○ Western America	-60% to -65%
○ Latin America	-65% to -70%
○ Rest of World	-35%

Source: CNH; Caterpillar, Deere, Terex, LBR Forecasts

2010-11 CONSTRUCTION ENVIRONMENT LESS THAN ROBUST

- ❑ The environment for construction activity in 2010 and 2011 will improve over 2009, but be less than robust
 - Key is financing availability; institutions will likely to be reluctant to rapidly expand availability
 - Defining government rules for stimulus programs will determine the success of getting stimulus dollars into this sector
- ❑ Housing will likely show improvement over the next two years rising from about 550,00 starts in 2009 to perhaps 750,000 to 800,000 plus in 2010 and perhaps towards 1 million or more in 2011.
- ❑ Non residential construction is expected to fall 5 % to 15% in both 2009 and 2010 and perhaps stabilize in 2011 before resuming growth sometime that year.
- ❑ Infrastructure spending will likely be relatively flat into 2011 or at least until a new Highway Bill is passed. History suggests that growth will resume about a year after the new Highway Bill has been funded.
- ❑ Only about 35% of the stimulus funding for the construction sector is expected to be available through 2010 which will limit its impact on activity in this sector.

SLOW RECOVERY OF CONSTRUCTION EQUIPMENT DEMAND AND PRODUCTION

- ❑ Construction equipment end market demand in F2010 looks relatively flat to up modestly in F2010. Production will increase 15% to 20% or more due to the end of inventory liquidation which will allow OEM's to produce at or near retail demand.
 - The upturn will favor smaller to medium equipment (more units, less dollars) which has been declining for the past three to four years.
 - Equipment for rental companies will likely see an upturn in demand as contractors may favor rental rather than outright purchases
 - Heavy equipment demand will likely be soft declining 10% or more in F2010

- ❑ F2011 will likely be a better year for all classes of machines with sales and production rising at least double-digits assuming sustained growth in the economy.

GLOBAL CONSTRUCTION END MARKET UNIT VOLUME PLUMMETS IN 2009; SLOW RECOVERY TO 2012

EQUIPMENT	2008	2009E	2012E
MINING	6200	4030	5037-5440
%CH		-35%	25% TO 35%
QUARRY	9500	6650	8313 TO 9643
%CH		-30%	25% TO 45%
EARTHMOVING	197,000	157,600	189,120-212,760
%CH		-20%	20% TO 35%
EXCAVATORS	197,000	137,900	165,480-186,165
%CH		-30%	20% TO 35%
BUILDING/FORESTRY	495,000	272,250	462,825-490,050
%CH		-45%	70% TO 80%
TOTAL	904,700	578,430	830,775-904,058
%CH		-36%	44% TO 56%

FEDERAL GOVERNMENT SUPPORT FOR INFRASTRUCTURE CONSTRUCTION IS LAGGING

- ❑ President Obama FY2010 Budget requested \$118.7 billion for construction or 0.6% less than the \$119.4 billion that Congress passed for FY2009;
- ❑ The budget included an estimate of the Highway Account of the Highway Trust Fund will only be able to support spending of \$32 billion in FY10, down from \$40 billion in FY2009, without a major transfer from the general fund or other revenue source.
- ❑ The Highway Trust Fund had a shortfall of about \$5 to \$7 B for the FY09 ending September 30th; Congress passed a supplemental funding resolution to keep funds flowing.
- ❑ The Highway Trust fund has an estimated \$8 to \$10 B shortfall for FY10 ending Sept 30 2010; Congress is expected to again pass emergency funding to preserve spending.
- ❑ The current 6 year \$286B Highway Bill expires Sept 30, 2009. The Obama administration has supported a continuing resolution until MARCH 2011.
 - New bill is expected to be 6 years and at least \$410 to \$450 billion.
 - New funding mechanisms are needed to provide the money—
 - **TRANSLATION—NEW TAXES**

MACHINE TOOL INDUSTRY:

IT GOT UGLY VERY QUICKLY

MACHINE TOOL CHART

TOTAL SALES

(in millions)	2001	2002	2003	2004	2005	2006	2007A	2008A	2009E	2010E	2011E
METALCUTTING	\$2,445	\$1,927	\$1,790	\$2,658	\$2,871	\$3,762	\$4,074	\$3,948	\$1,415	\$1,555	\$1,945
%CH	-31.40%	-21.20%	-7.10%	48.50%	8.00%	31.00%	8.30%	-3.10%	-64.10%	9.9%	25.00%
METAL FORMING	\$223	\$237	\$190	\$185	\$196	\$182	\$241	\$264	\$195	\$205	\$246
%CH	-51.20%	6.00%	-20.00%	-2.20%	5.70%	-6.90%	31.90%	9.80%	-26.2%	5.1%	20.00%
TOTAL	\$2,669	\$2,164	\$1,980	\$2,843	\$3,067	\$3,944	\$4,315	\$4,212	\$1,610	\$1,760	\$2,191
%CH	-33.70%	-18.90%	-8.50%	43.60%	7.90%	28.60%	9.50%	-2.40%	-61.8%	9.30%	24.50%

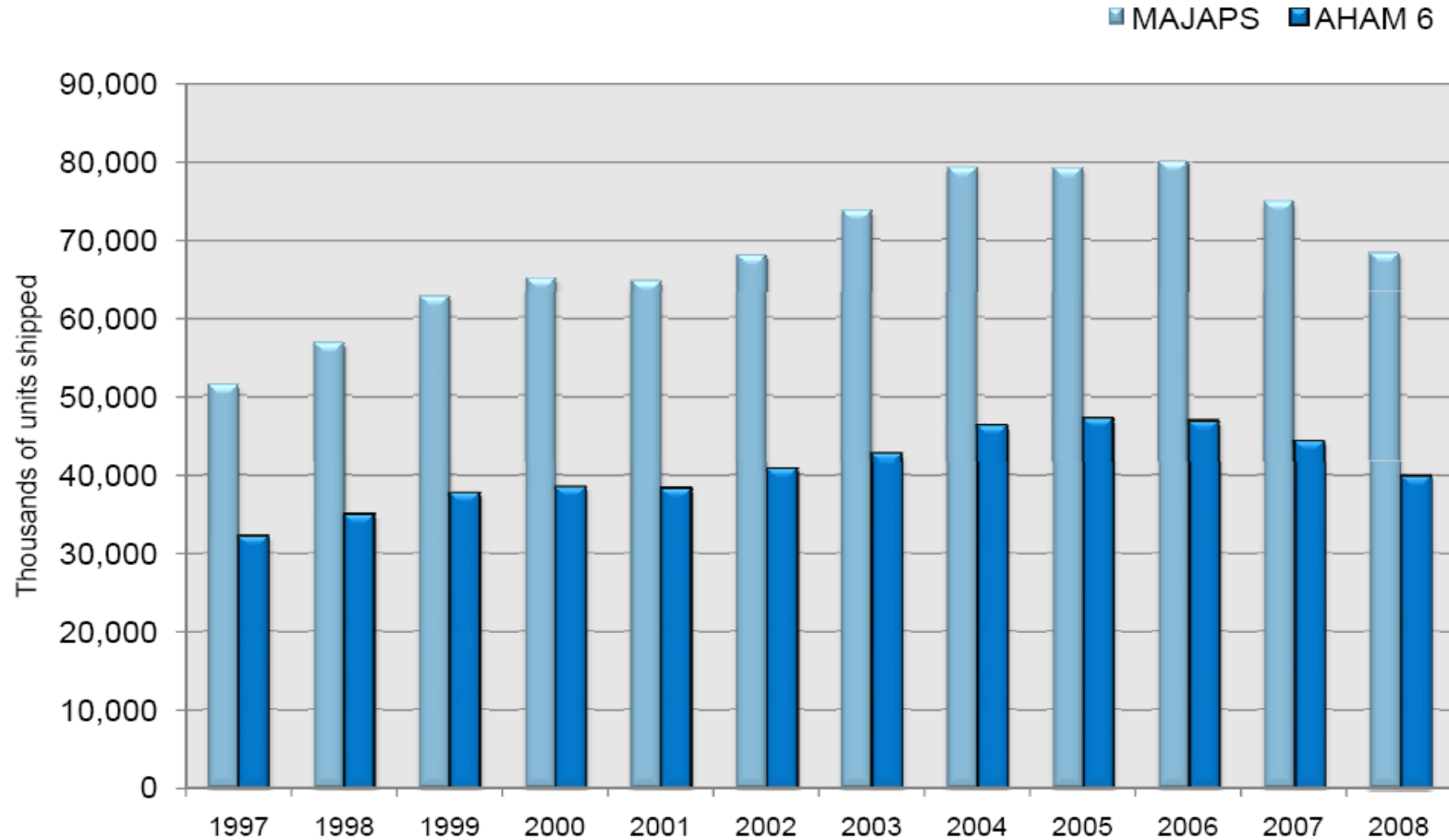
APPLIANCES:

IS THE WEAKNESS FINALLY ENDING?

APPLIANCE SHIPMENT TRENDS

What's Happening Now?

Annual Shipment Trends 1997-2008



KEY GROWTH DRIVERS OF APPLIANCE SALES

- *New housing completions*
- *Existing home sales*
- *Unemployment rate*
- *Growth in replacement demand*
- *Consumer spending and income*

SIGNS OF LIFE IN APPLIANCE SALES COMPARATIVELY

SHIPMENTS BY AHAM 6 CATEGORY

	September 2009 YoY Δ	September 2008 YoY Δ	August 2009 YoY Δ
Ranges - Total	-10.2%	-16.8%	-9.6%
Washer	4.4%	-20.2%	-3.8%
Dryers	-3.9%	-16.7%	1.2%
Dishwashers	11.3%	-23.1%	-5.9%
Refrigerators	0.8%	-15.3%	-10.8%
Freezers	8.7%	0.4%	-6.6%
AHAM 6	1.3%	-17.2%	-7.1%
AHAM 6 (ex freezers)	-0.5%	-18.1%	-4.7%
All Majors	-6.7%	-14.8%	-9.4%

BUT YTD SALES ARE STILL DOWN DOUBLE-DIGITS

On a YTD basis, average daily AHAM 6 Shipments are down 11.3% for the year, with ALL Majors down 16.4%

YTD WHOLESALE APPLIANCE SHIPMENTS

	2009	2008	%Δ
All Majors	45,594.70	55,039.90	-17.2%
AHAM 6	27,304.20	31,063.40	-12.1%
AHAM 6 (ex freezers)	25,738.30	29,485.0	-12.7%
Shipping Days	233	235	
Avg. Daily Shipments - All Majors	195.7	234.2	-16.4%
Avg. Daily Shipments - AHAM 6	117.2	132.2	-11.3%
Avg. Daily Shipments - AHAM 6 (ex freezers)	110.5	125.5	-12.0%

Source: AHAM

NEW CHALLENGES FOR THE APPLIANCE INDUSTRY

- Energy Efficiency—manufacturers tax credits, Best In Class, Energy Star, Efficient Appliance Rebate Program
- Climate Changes—refrigerants, power management
- New materials, insulation, components
- Recycling
- Environmental issues

APPLIANCE EFFICIENCY STANDARDS ON THE WAY

- Refrigerators 2014
- Clothes washers and dryers 2015
- Dishwashers
- Regional and State Regulations
- Smart Grid and Smart Appliances
- HVAC PRODUCTS (Fed Rule-making; Effective date)
 - Water Heaters: March 2010; March 2015
 - Residential Furnaces: May 2011; May 2016
 - Central A/C and Heat Pumps: June 2011; June 2016
 - Walk-In Refrigerators, freezers: January 2012; January 2015

THERE IS HOPE FOR APPLIANCES IN 2010

- 2009 Projections for demand is still down about 10% or more both here and abroad
 - NA -10 to -12%
 - Europe -13%
 - Brazil +15%
 - Asia Pacific- flat to up 5%
- 2010—Modest Gains Likely

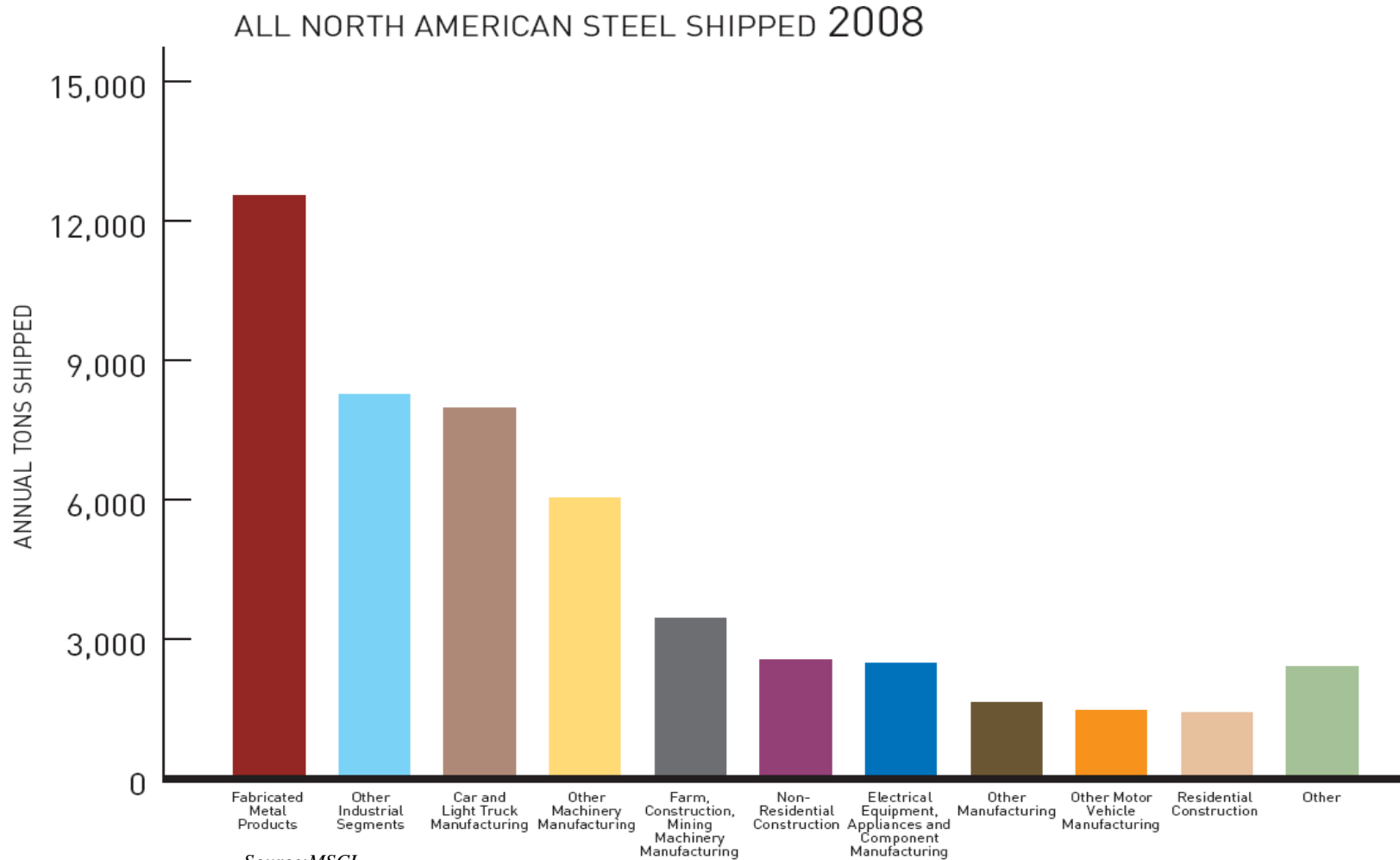
2009 MATERIALS OUTLOOK

- 2009: Lower average prices likely for steel, aluminum, diesel and copper
- Year over year PPI change -4% to 0%
- A Limited Time SALE!

MATERIALS OUTLOOK FOR 2010 AND BEYOND

- Each Outlook depends the following questions:
 - Are the materials in demand worldwide?
 - Do the materials have erratic supply growth?
 - Are the materials heavy, bulky, or hard to transport?
- Prices subject to price spurts, transport bottlenecks, fuel price swings
- Expect 6% to 8% PPI increases, higher spikes

NA STEEL SHIPMENTS 2008



Source: MSCI

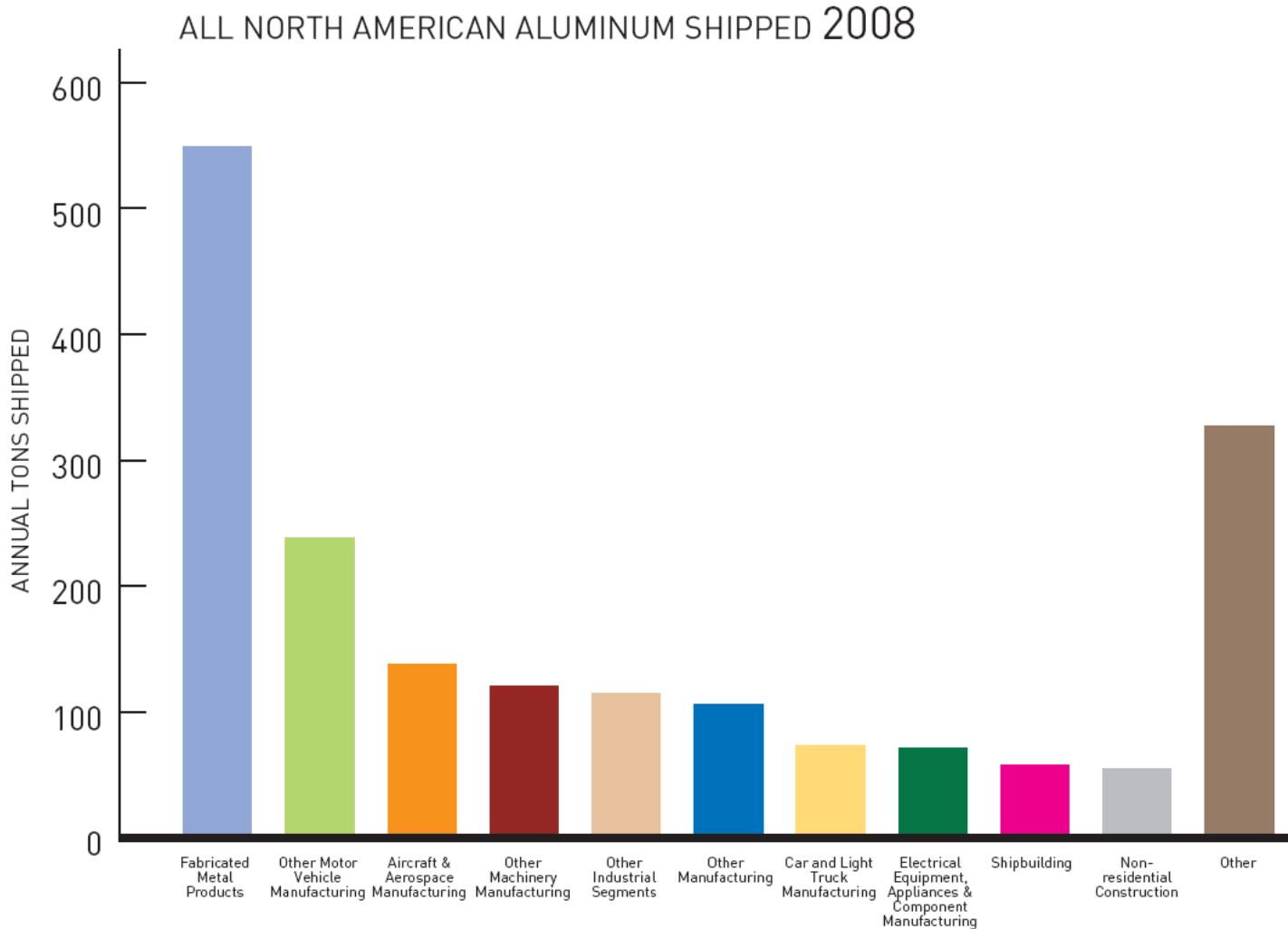
2009 STEEL PRICE FORECASTS

Revised 2009E Spot Carbon Steel / Scrap Price Forecast

Steel/Scrap Price Forecast	1Q09A	2Q09A	3Q09A	4Q09E	4Q09 Old	FY10E	FY10 Old	Change to Prior Forecast	
								4Q09	FY10
U.S. Domestic HRC	\$510	\$409	\$517	\$545	\$570	\$550	\$554	(\$25)	(\$4)
U.S. Domestic CRC	\$602	\$509	\$617	\$649	\$670	\$642	\$645	(\$21)	(\$3)
U.S. Domestic HDG	\$681	\$583	\$705	\$751	\$770	\$697	\$700	(\$19)	(\$3)
U.S. Domestic Plate	\$818	\$599	\$624	\$647	\$640	\$644	\$644	\$7	(\$0)
U.S. Domestic Merchant	\$810	\$683	\$704	\$662	\$680	\$656	\$662	(\$18)	(\$6)
U.S. Domestic Rebar	\$619	\$495	\$536	\$520	\$520	\$529	\$535	\$0	(\$6)
U.S. Domestic Structural	\$850	\$720	\$727	\$707	\$720	\$681	\$686	(\$13)	(\$5)
U.S. Domestic OCTG Avg	\$2,414	\$1,736	\$1,480	\$1,394	\$1,453	\$1,400	\$1,408	(\$59)	(\$8)
U.S. Dom. Shredded Scrap	\$192	\$171	\$241	\$225	\$236	\$238	\$240	(\$11)	(\$2)
U.S. Dom. Busheling Scrap	\$203	\$177	\$284	\$272	\$275	\$274	\$275	(\$3)	(\$1)
European HRC	\$502	\$446	\$556	\$563	\$579	\$574	\$562	(\$16)	\$12
European CRC	\$579	\$522	\$624	\$624	\$683	\$644	\$658	(\$59)	(\$14)
European HDG	\$633	\$577	\$735	\$757	\$831	\$715	\$760	(\$74)	(\$45)

Source: Longbow Research

NA ALUMINUM SHIPMENTS 2008



Source: MSCI

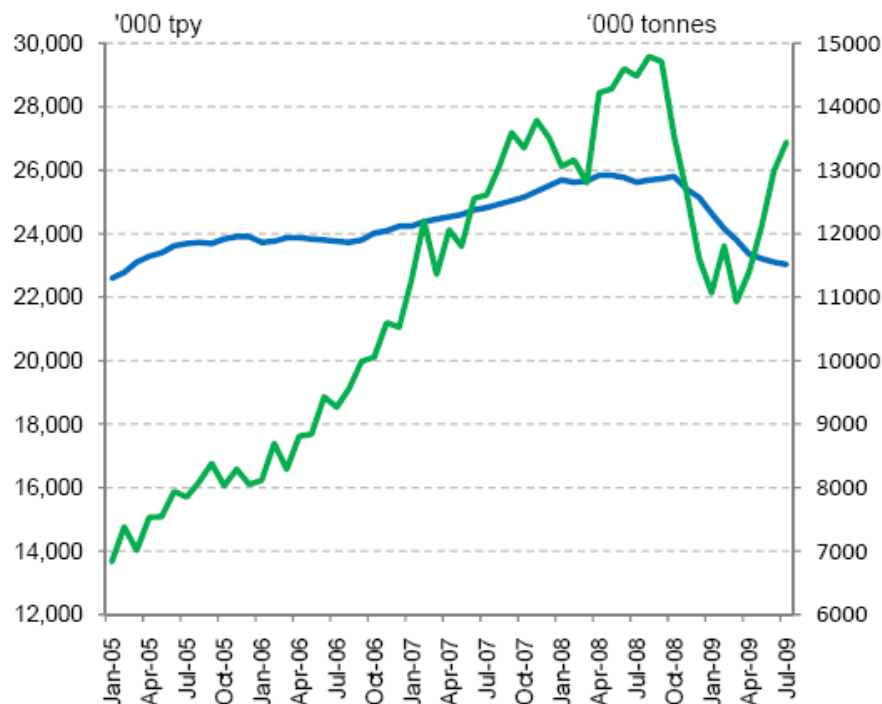
North American Demand set to fall by 10% this year

Primary Aluminium Consumption Forecasts (000s tonnes)								
	<u>2007</u>	Growth rate %	<u>2008</u>	Growth rate %	<u>2009</u>	Growth rate %	<u>2010</u>	Growth rate %
Regional Consumption								
North America	6483	-9.8%	6065	-6.4%	4930	-18.7%	5317	7.9%
Western Europe	7389	4.3%	6797	-8.0%	5361	-21.1%	5706	6.4%
Eastern Europe	1017	7.0%	924	-9.2%	720	-22.1%	790	9.7%
Russia & Ukraine	1007	13.2%	1052	4.4%	837	-20.5%	894	6.8%
Asia (exc. China and Japan)	5313	4.7%	5276	-0.7%	4955	-6.1%	5416	9.3%
Japan	2409	-2.9%	2319	-3.7%	1804	-22.2%	1925	6.7%
South America	1402	13.8%	1533	9.4%	1439	-6.1%	1527	6.1%
Africa & Australasia	893	4.7%	924	3.4%	782	-15.4%	841	7.7%
World (exc. China)	25912	0.6%	24890	-3.9%	20828	-16.3%	22416	7.6%
China	12071	37.9%	12604	4.4%	12922	2.5%	14231	10.1%
World	37983	10.1%	37494	-1.3%	33750	-10.0%	36647	8.6%

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Chinese production on the rise and IAI falls slow sharply

Annualised production figures (World and China)



Data: IAI, CNIA, CRU

— World (LHS) — China (RHS)

Summary of production cuts

Region	Announced cuts ('000tpy) Apr 09 Qtly	Announced cuts ('000tpy) Aug 09	Ratio of regional capacity to announced cuts
North America	1,114,000	1,198,000	26.2%
Europe	1,679,000	1,615,000	35.3%
South America	89,000	128,000	2.8%
China (*)	2,726,000	1,439,000	31.5%
Rest of the world	151,000	193,000	4.2%
World	5,759,000	4,573,000	100.0%

Cuts by major producer - proportion of 2009 capacity

Company	% of total cuts	% of own '09 capacity
Hydro	9.7%	26.0%
Century	4.7%	27.2%
Alcoa	19.8%	19.2%
Chalco	5.0%	6.4%
UCRusal	10.8%	10.4%
Rio Tinto Alcan	5.8%	6.5%

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There's 2010 and There Is The Recovery

***SPEECH TO SMMA CONFERENCE:
FORECAST 2010 AND BEYOND***

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