



**Atlas**  
TUBE INC.



**June 2006**

# Company Overview

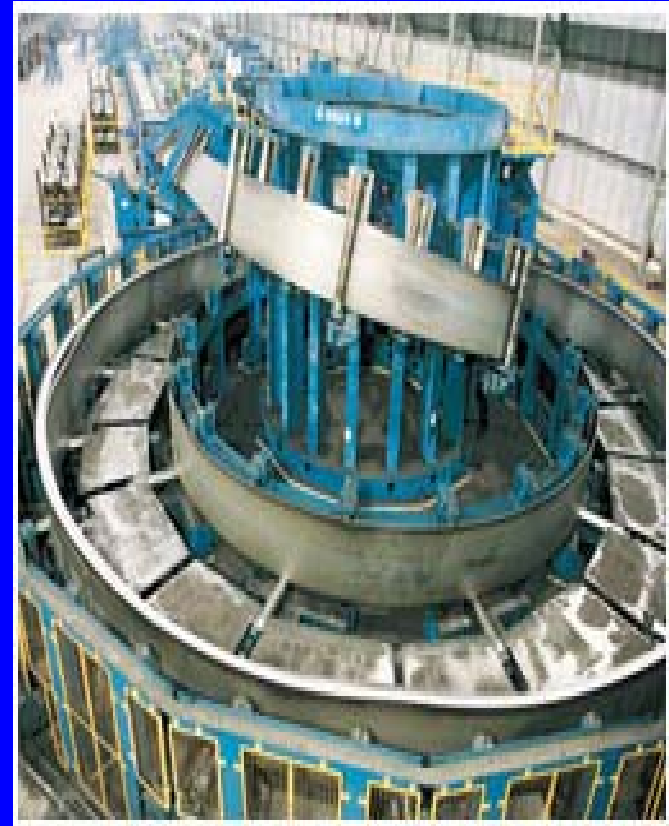


- Established in 1984 and headquartered in Harrow, Ontario
- Built to be the lowest cost producer in the industry.
- The largest structural tubing manufacturer in North America.
- Our products- hollow structural sections- are found in a diverse array of industries: Automotive, Construction, Agricultural Equipment, Highways, Bridges, and Pipe and Piling applications.



# Corporate Strategy

- Satisfy customer needs in the quickest most cost effective manner.
- Provide the most cost efficient production facilities to meet customer needs.
- Empower employees to maximize efficiencies in order to effectively satisfy customer needs.



# 2005 Acquisitions

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## **July 1, 2005 – Maverick Tube’s HSS business**

- Instant position in the Southeastern US Market.
- Established base load for new Atlas Tube facility in Blytheville, AR.
- Remove competitor in Western Canada and consolidate in the Southern US.

## **October 3, 2005 – Copperweld’s HSS business**

- Increased Atlas Tube market share to over 35% of total North American HSS market.
- Absorbed our largest competitor.
- Creates the largest range of products offered in the widest geography in North America in square, rectangular, and round HSS. (1”sq – 16”sq and 1.9”OD – 20”OD)

# Tonnage Breakdown(Atlas/Copperweld/Maverick)



	<u>Shipments - 2004</u>	
Plymouth,MI	114,000 tons	(1 producing mill)
Harrow,ON	386,000 tons	(2 producing mills)
Copperweld Canada	227,000* tons	(4 producing mills)
Chicago, IL	360,000 tons	(4 producing mills)
<u>Maverick</u>	<u>133,000 tons</u>	<u>(2 producing mills)</u>
Current Combined Tons	1,220,000** tons (13 producing mills)	

*\*Mechanical tubing tonnage has been excluded.*

# Maximize Efficiency and Flexibility



- Closed Brampton, ON facility (300,000 tons annual capacity).
- Upgrade Plymouth welding and entry equipment – 20% increase in capacity. (Completed February 2006)
- Maverick Tube is out of HSS business – 150,000 tons of annual capacity.
- Build a state-of-the-art HSS facility in Blytheville, AR – 350,000 tons of annual capacity.
  - Warehouse will be complete by August 2006.
  - 5sq mill commissioning Sept/Oct 2006.
  - 12sq mill commissioning Jan/Feb 2007.
- Replace two mid-range mills in Chicago with one high speed Mannesmann mill. (2sq – 7sq x .500).
  - Mill is on order from Mannesmann.
  - Mill to be commissioned Apr/May 2007.

# Blytheville, Arkansas



# “The New Atlas Tube”



(2006 – 2007)

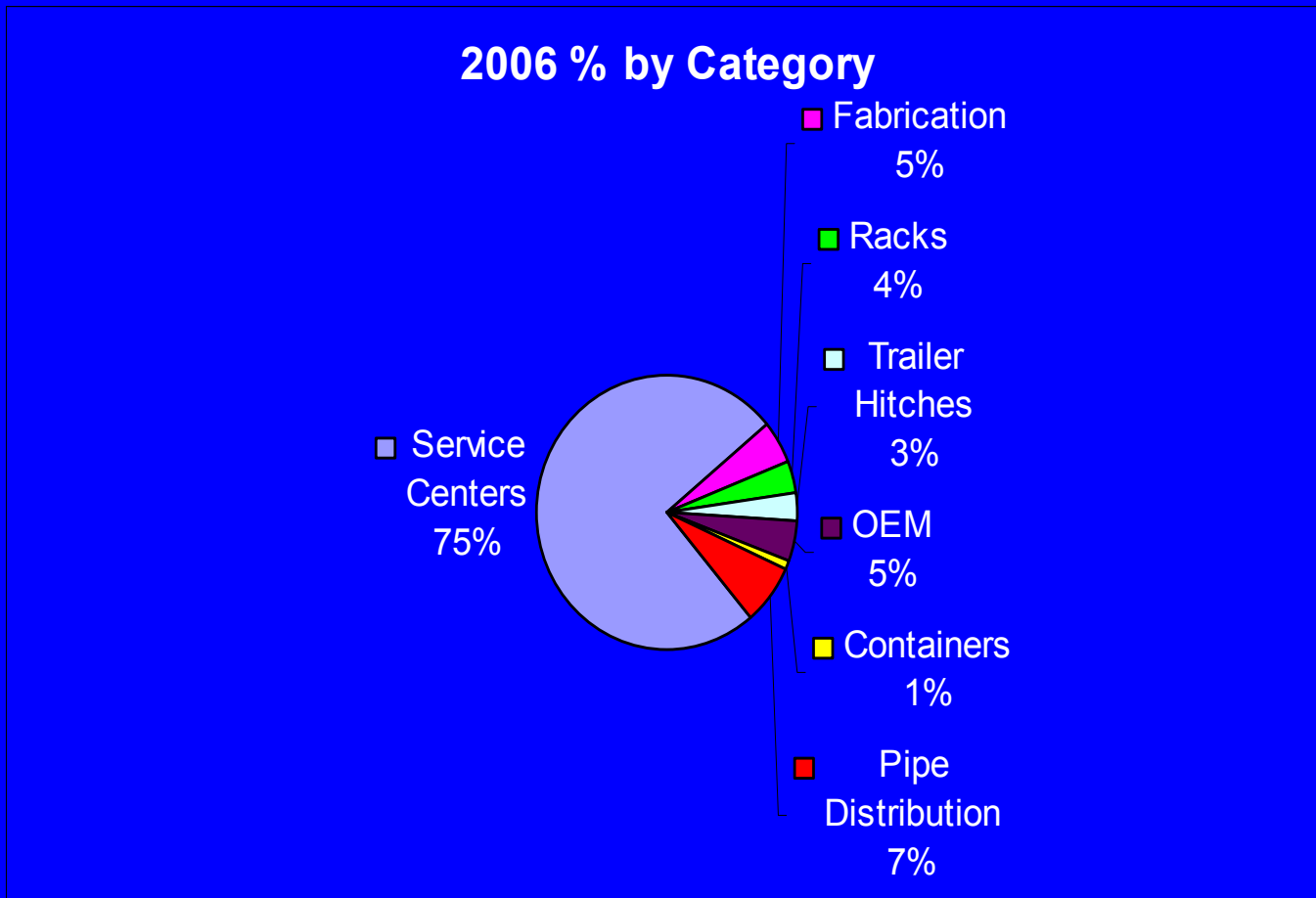
	<u>Est. Capacity</u>	<u>Est. Shipments</u>	<u>Producing Mills</u>
Plymouth, MI	160,000 tons	150,000 tons	1 mill
Chicago, IL	450,000 tons	380,000 tons	3 mills
Harrow, ON	600,000 tons	550,000 tons	2 mills
<u>Blytheville, AR</u>	<u>350,000 tons</u>	<u>250,000 tons</u>	<u>2 mills</u>
<b>Total</b>	<b>1,510,000 tons</b>	<b>1,330,000</b>	<b>8 producing mills*</b>

# Atlas Tube – Strategic Benefits



- Five strategically located HSS producing plants: Blytheville, AR, Chicago, IL, Harrow, ON, Plymouth, MI, and Winnipeg, MB.
- Full Range of Products offered:
  - Full Size Range: 1”sq x .065” through 16”sq x .625”  
1.5” x ¾” through 20” x 12”  
1.315”OD through 20”OD
  - Mechanical Tube
  - DOT MM USA
  - Proprietary Sizes – 14”sq and 16”sq
  - Three facilities up through 12sq!
- E-Commerce – EDI, VMI, and Industry leading website.
- Processing capability in three plants – Band Saws and lathes.
- Greater market penetration into special grades and sizes of HSS – HSLA’s, ATSM A847, A252 Gr 3, and special shapes.

# Tons Shipped by Category - 2006



# Atlas Tube's Right Customer - Many ways to fit . . .



- The right distributor: It's not just about volume.
  - Strong within the geographic region (National or Local)
  - Purchase their inventory off production
  - Ships product based on firm requirement date (ship when ready)
- We should always be able to meet delivery on specific jobs – use all the mills.
- Flexibility in schedules – take the inventory out of the chain and still meet the needs of the customer.
- We will be all things to all people with one exception, we will not be a warehouse.

# Sample Rolling Schedule – Harrow Mill#2



## CANADIAN PRODUCTION - Mill#2 (HARROW, ONT)

12.75RD	10x6	<b>**10.75**</b>	16.0RD	<b>*16x4*</b>	20x4	<b>12X8</b>	18x6
	<b>*9x7*</b>			<b>*10x10*</b>	12X12	<b>14X6</b>	20x4
10x8	12x4	10x8	10x6			<b>16X4</b>	12x12
14x4	8x8	14x4	12x4	10.75RD	14.0RD	<b>10X10</b>	
12x6		12x6	8x8				16.0RD
	9.625RD			10x8	10x6	10.75RD	
14X10		<b>*12.75*</b>	9.625RD	14x4	12x4		10x6
16x8	8X6			12X6	8x8	10x8	12x4
18x6	7X7	14x10	8x6			14x4	8x8
20x4		16x8	7x7	12.75RD	9.625RD	12x6	
12X12	<b>12X8</b>	18x6					9.625RD
	<b>14X6</b>	20x4	<b>*12x8*</b>	14x10	8X6	12.75RD	
14.0RD	<b>16X4</b>	12x12	<b>*14x6*</b>	16x8	7X7		8x6
	<b>10X10</b>			18x6		14x10	7x7
		**365 closed**				16x8	
<b>closed</b>	<b>closed</b>	* 500closed	*500 closed	500 wall closed			

# **HSS Market Outlook**

## **Structural Shift**

# Supply Consolidation



The raw material supply for HSS has consolidated dramatically over the last three years with the efforts of key mills.

Nucor and ISG and now Mittal and Arcelor.

- This has led to a more stable environment with respect to the cost of raw material for HSS after the initial integrations of the combined companies.
- The availability of flat rolled steel has been under pressure for the last two years in North America.

HSS mill consolidation in 2005 will provide a more stable HSS marketplace in 2006.

- July 2005 - Atlas Tube acquired Maverick Tube's HSS business.
- October 2005 - Atlas Tube acquired Copperweld's HSS business.

HSS capacity in 2006 is shifting south in the United States.

# HSS Still has Capacity Issues



## 2005/2006 Significant Capacity Shifts

### Capacity taken out of the North:

- Atlas Tube's rationalization of approximately 300,000 tons of annual tube making capacity in Toronto, ON.

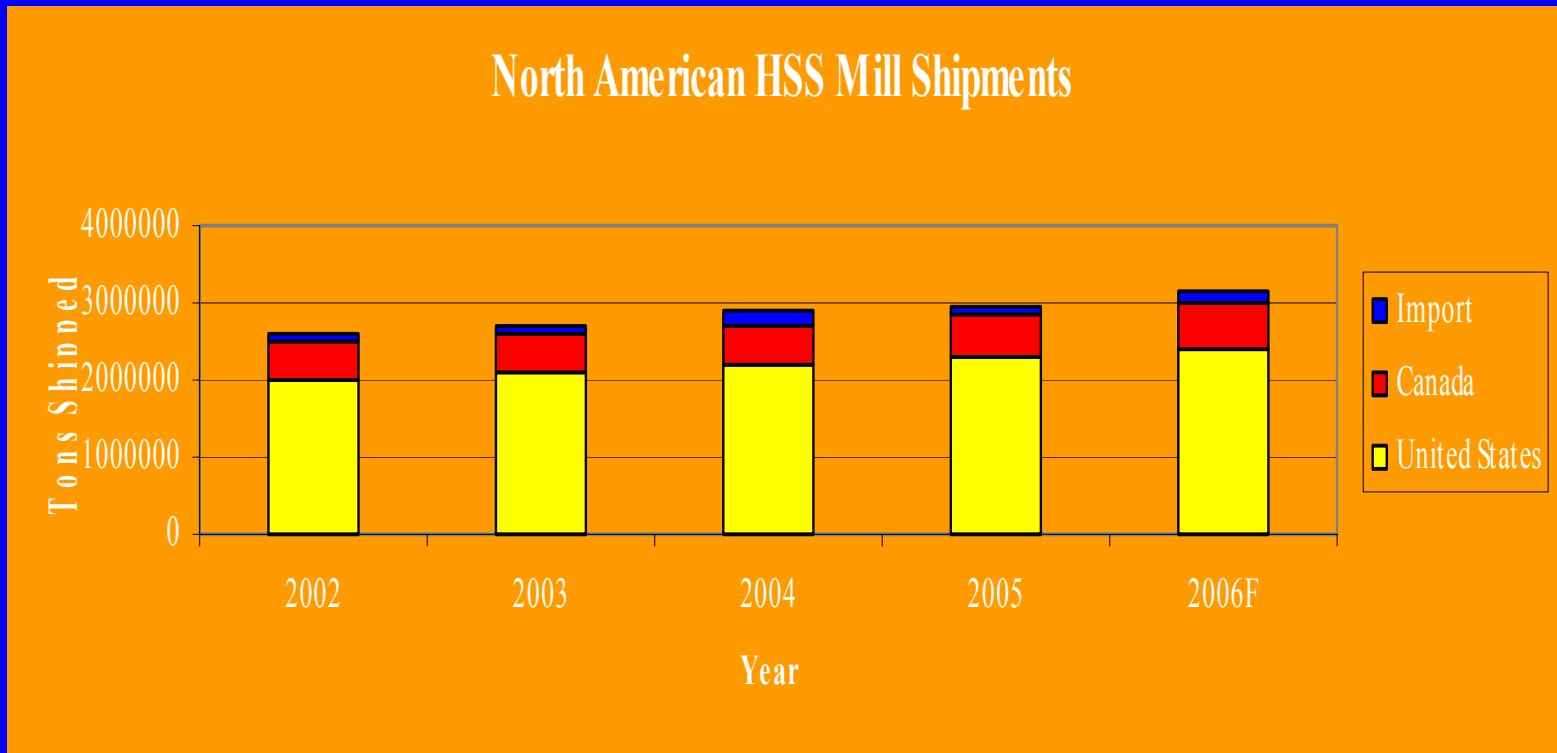
### Capacity added in the South:

- Southland Tube's expansion in Birmingham, AL.
- Independence Tube's expansion in Decatur, AL.
- Atlas Tube planned rationalization 150,000 tons by exiting Maverick Tube's facility in Hickman, AR.
- Atlas Tube expansion 350,000 tons annual capacity in Blytheville, AR.
- Net Expansion in HSS capacity – 200,000+ tons

Total annual HSS production capacity 4.7 to 5.0 million tons.

65% - 70% utilization rate, very little change.

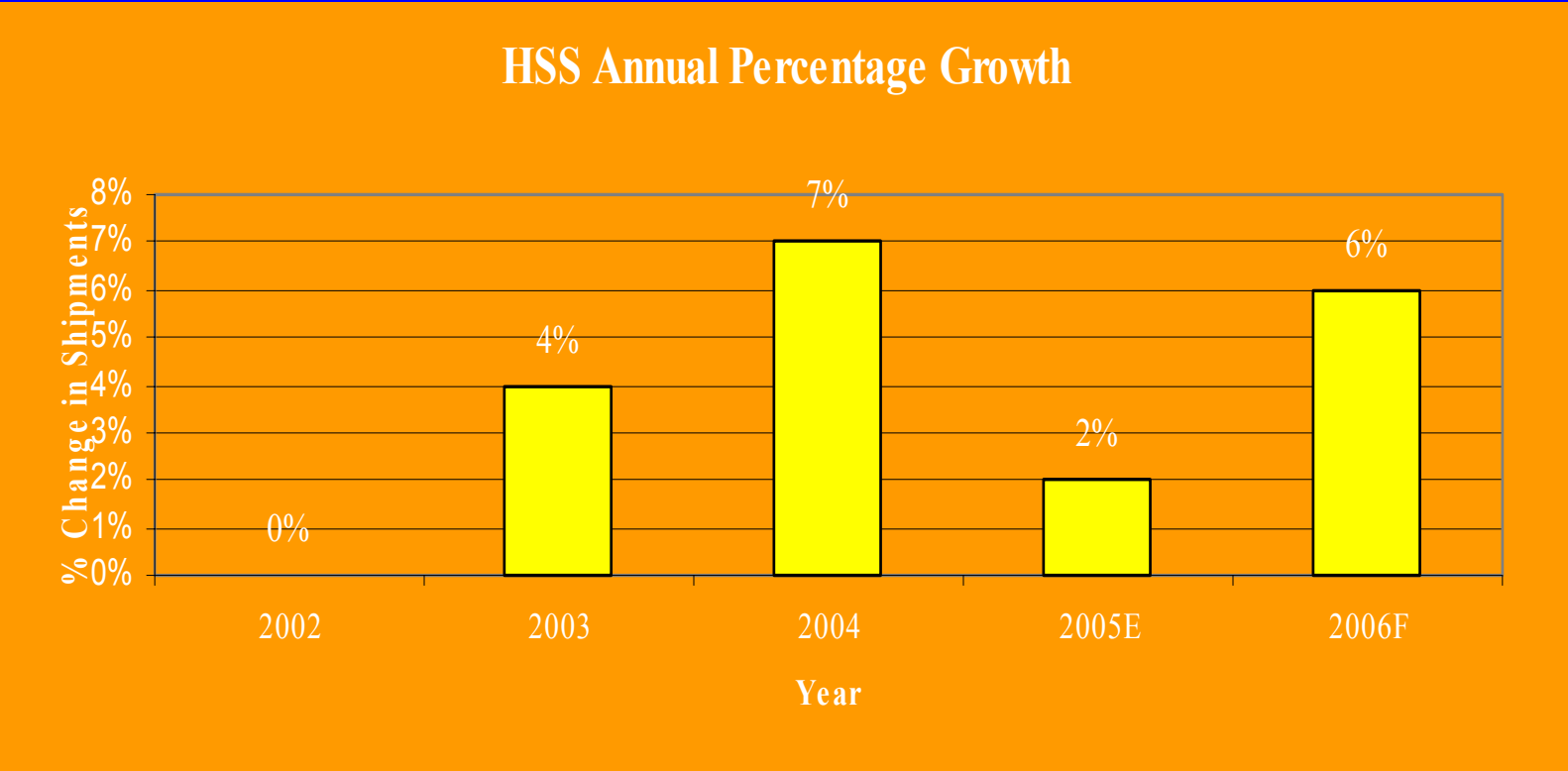
# North American HSS Market



The trough in shipments was 2002, approximately 2.605 million tons.

Source: Steel Tube Institute, StatsCan

# North American HSS Mill Shipments



Source: Steel Tube Institute, StatsCan

# Economic & Activity Indicators



<b>Economic Indicators</b>		2002	2003	2004	2005	forecast 2006
		GDP Chained	% Change	1.6	2.7	4.2
Disposable Income	% Change	3.1	2.4	3.4	2.2	3.3
Consumer Spending	% Change	2.7	2.9	3.9	3.5	2.9
Capital Spending	% Change	-9.2	1.3	9.4	8.9	7.7
Industrial Production	% Change	-0.3	0.0	4.1	3.4	3.4
Consumer Price Index	% Change	1.6	2.3	2.7	3.1	2.7
GDP Deflator (Price Inflation)	% Change	1.7	2.0	2.6	2.6	2.3

<b>Activity Indicators</b>		2002	2003	2004	2005	forecast 2006
		U.S. Factory Utilization	% Capacity	75.6	75.5	78.1
Housing Starts	Million Units	1.71	1.85	1.96	2.01	1.85
"U.S." Vehicle Sales	Million Units	16.8	16.6	16.8	17.1	17.3
"NAFTA" Vehicle Prod.	Million Units	16.4	15.9	15.8	15.9	15.9
Appliance Shipments <small>minus microwave</small>	Million Units	54.6	59.4	62.7	63.0	62.8
Drilling Rate	Million Feet	150	181	188	180	189
Domestic Steel Shipments	Million Tons	104.7	105.6	112.1	105.7	110.1
Domestic Sheet Steel Shipments	Million Tons	55.5	59.5	64.3	58.3	61.4

Source: Blue Chip Economic Indicator/AHAM/Pipelogix/USS

## **HSS Demand will be impacted positively by:**

The return of non-residential construction:

- 2005 estimated to be up 5%-7% over 2004, accelerating in the first half of 2006 estimated to be up over 7% – 9%.
- Strongest markets are in manufacturing and retail/general merchandise sectors.
- Interest rates remain historically low (Under 4%) and should not dampen demand in this sector.

Transportation industries – Railcar manufacturers, trailers, and mobile homes (Spurred by FEMA), DOT demands, the federal highway bill.

OEM – Roll off containers, scissor lift manufacturers, and heavy construction equipment all expected to be up significantly in 2006 largely due to the clean up and rebuilding in the aftermath of Katrina.

Oil and gas rigging and equipment should see positive growth in 2006, with the continued growth in the “tar sands” program in Western Canada.

# Very Competitive Landscape



Net Capacity increase by the end of 2006 of 200,000+ tons – 7%, giving HSS an annual capacity 4.7 to 5.0 million tons – 65% utilization rate.

Capacity is shifting to the Southeastern US.

HSS will better serve end-use markets due to increased availability.

- Shorter time to market.
- Lessens the impact of rising freight costs – more regional production.

The overall building component market is still in an over supply state.

- Wide Flange Beam markets
- Structural Pipe market is approximately 1.0 million tons annually with the ability to raise production in lieu of other pipe products.
- The HSS market will have approximately 2 million tons of unused capacity in 2006.