

Experiences with Structural Adjustment of the Australian Steel industry

Presentation by Dr Bob Every

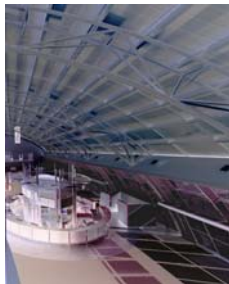
Managing Director and CEO of OneSteel Limited

September 9, 2004

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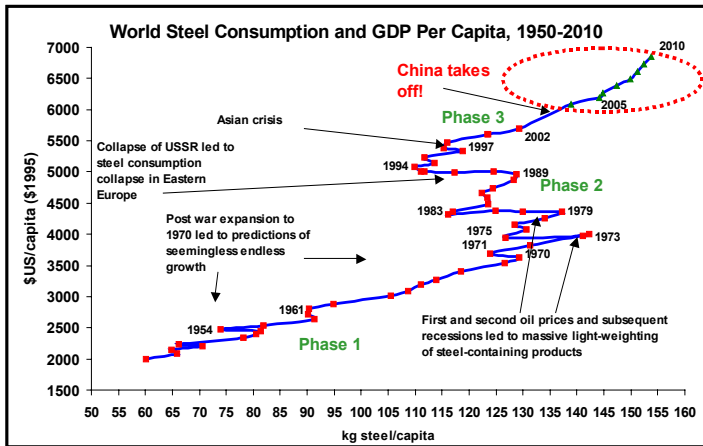
Global Steel Industry Landscape

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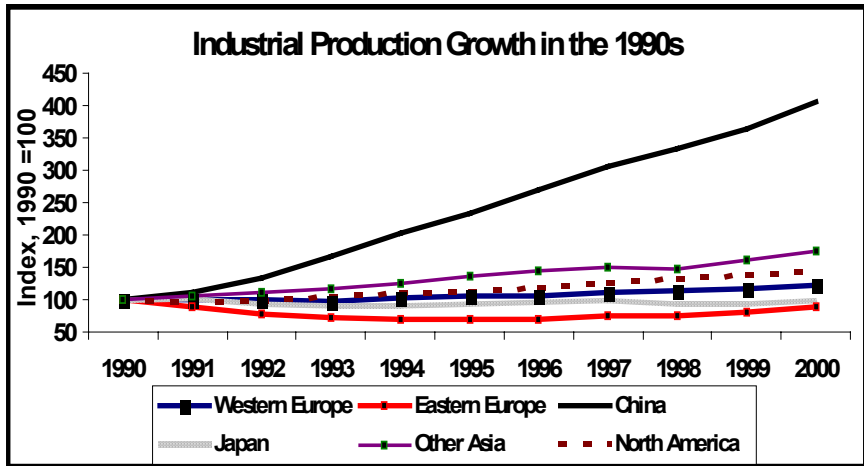
Global Steel Industry Landscape

- **Period from 1970 to 2000**
 - **Global Over-capacity**
 - 800 million tonnes demand
 - 950 million tonnes capacity
 - **Fragmented Industry**
 - 95 players produce more than 2 million tonnes p.a
 - Top player only produces 3-4% of world production
- **Since 2000**
 - **Some consolidation is occurring**
 - **China has grown dramatically – 25-30% of world demand**
 - **Mega or niche to succeed**

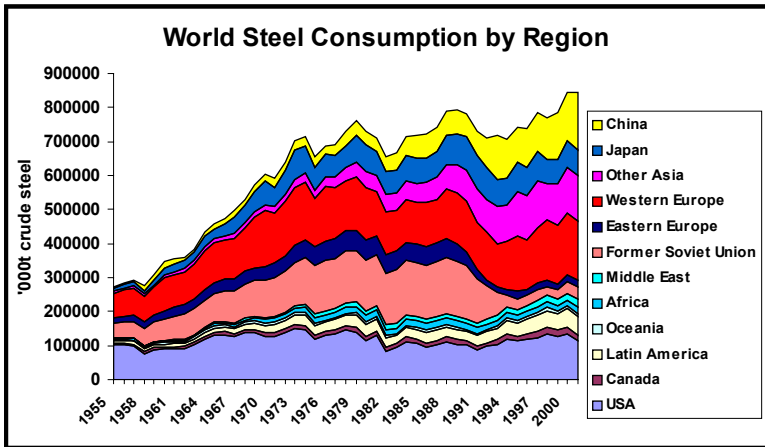
Steel in the Global Context



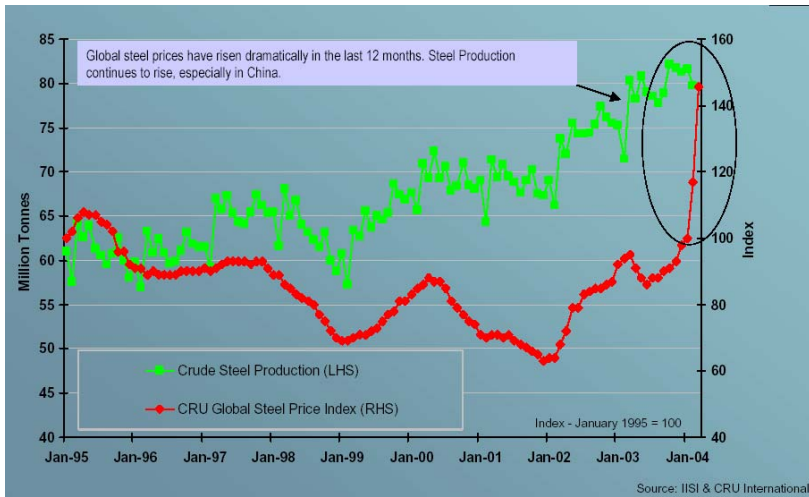
Steel in the Global Context



Steel in the Global Context

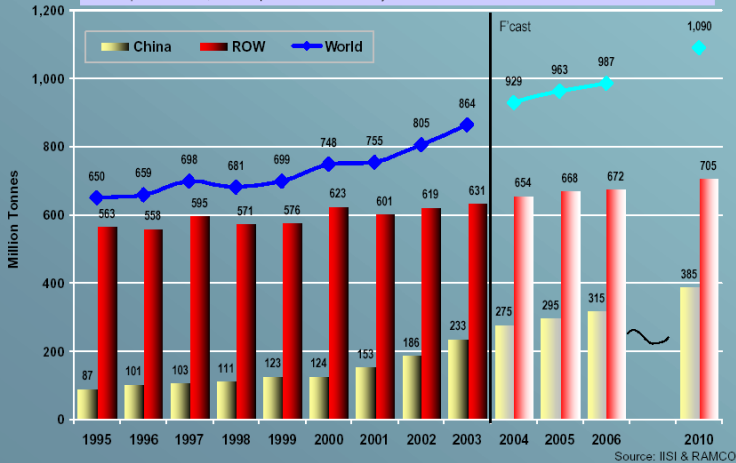


International Steel Production and Prices



International Steel Forecast Demand

Chinese steel consumption growth will continue to drive global consumption growth. In 2003, China's share of global consumption was 27%; this is expected to rise to 35% by 2010.



Early signs of a complementary change on the production side

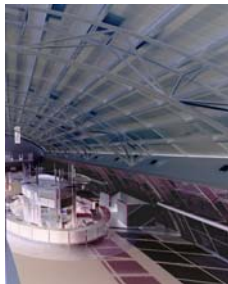
Consolidation is occurring

- **Corus – from merger of British Steel and Hoogovens**
- Arcelor – from merger of Usinor, Arbed and Aceralia**
- JFE Steel – from NKK and Kawasaki**
- U.S. Steel acquired assets of National Steel**
- Nucor has made four acquisitions over two years**

So what does this all mean?

We may be entering a new period of growth in international steel – the first time in three decades

It has the potential to change the balance in the industry from over to under supply



Australian Steel Industry Landscape

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Australian Steel Industry Landscape

- **1970s**
 - One Steel producer – BHP (Blast furnace based)
- **1980s**
 - Emergence of Smorgon Steel (Electric Arc furnace)
- **1990s**
 - BHP closes Newcastle steel works (1.5 million tonne facility)
- **2000s, BHP exits steel**
 - BHP spins off OneSteel Limited (long products)
 - BHP Billiton spins off BlueScope Steel (flat products)

Australian Steel Industry Landscape

Long Product

**Smorgon
Steel**

**900,000
tonnes**

OneSteel

**1.7 million
tonnes**

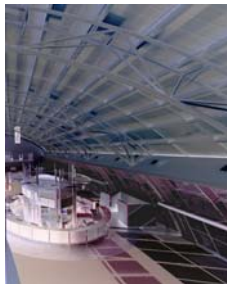
Flat Product

BlueScope Steel

**5 million
tonnes**

Mainly Domestic

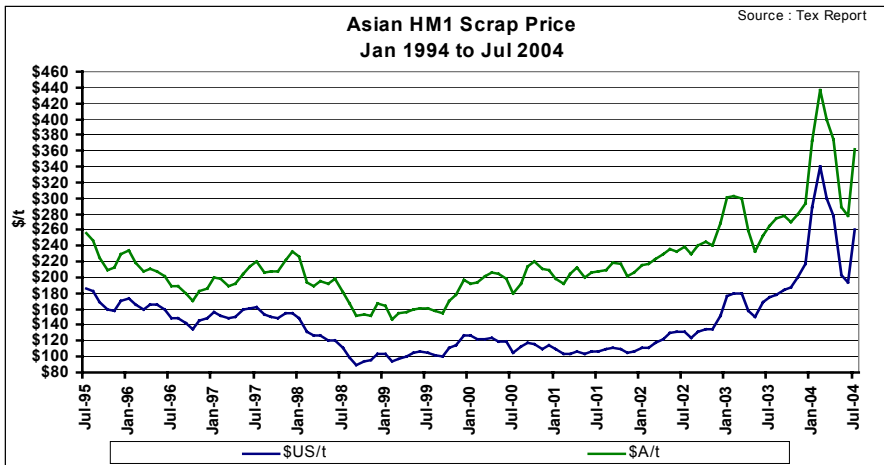
Export



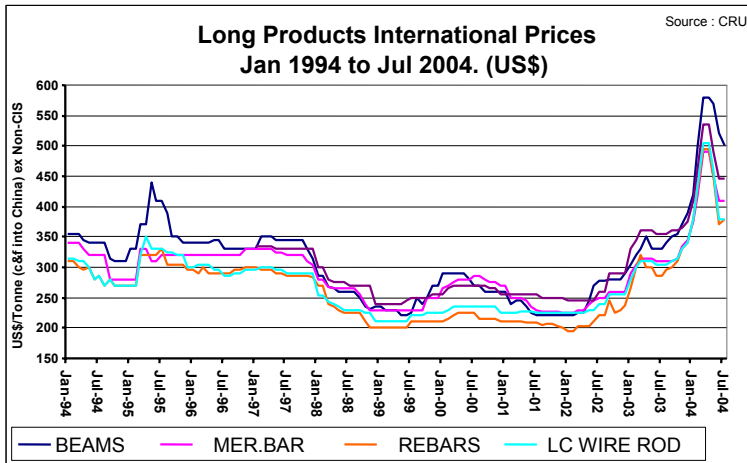
Current Trends and Structural Impacts

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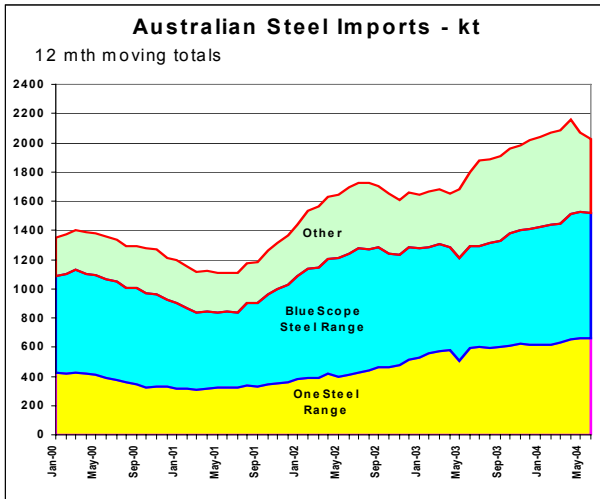
Scrap Prices



Trends in International Long Product Steel Prices

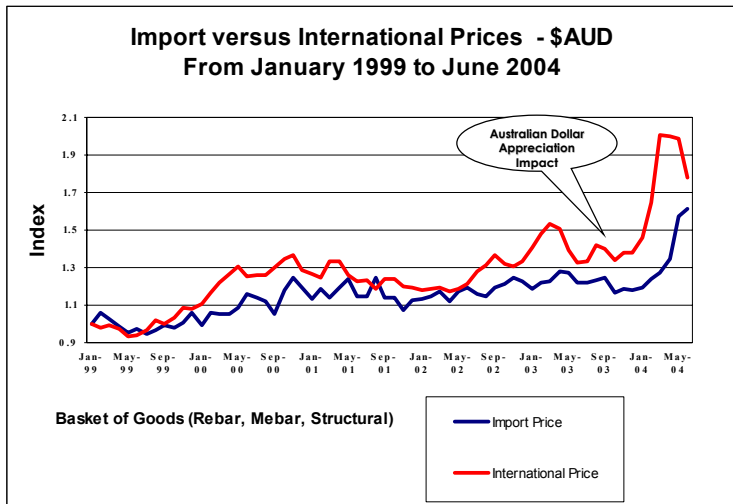


Imports into Australia



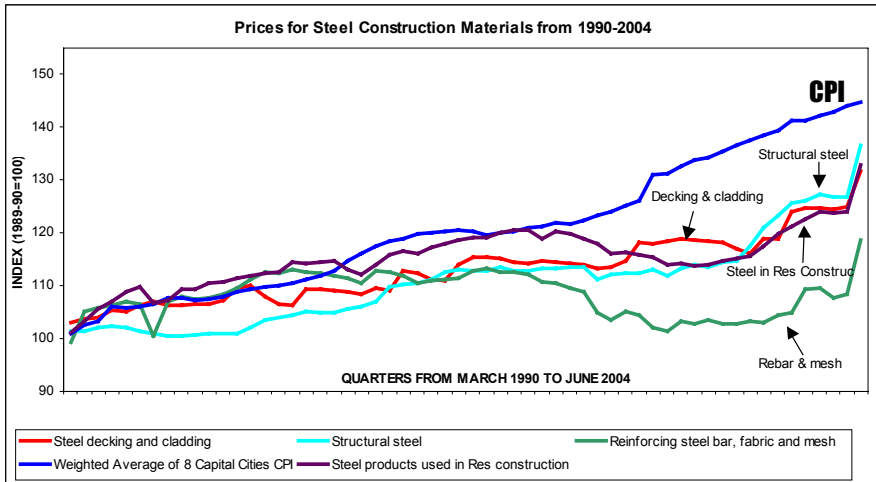
Source: Australian Bureau of Statistics and OST data

Import versus International Prices



Source: Australian Bureau of Statistics and OST data

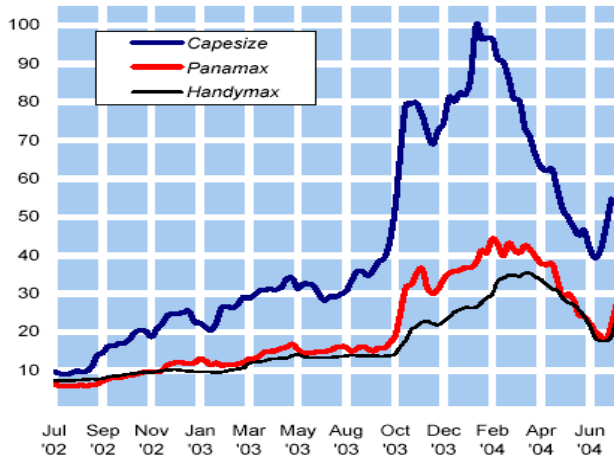
Australian Steel Price Index



Source: Australian Bureau of Statistics

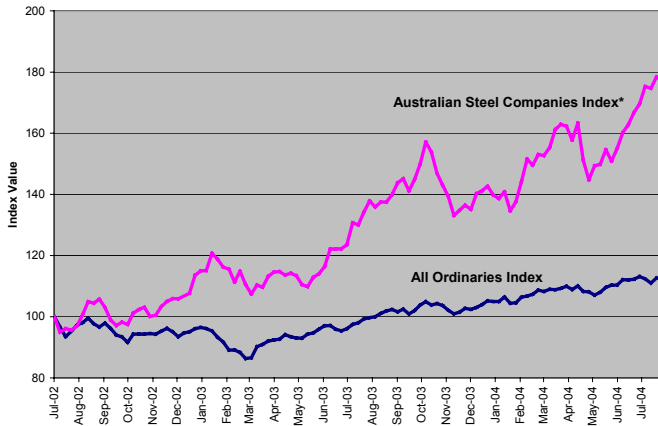
International Freight Rates

Bulkcarrier Spot Earnings (\$,000's/Day)



Performance of Australian Steel Companies

Share Price Performance of Australian Steel Companies versus All Ordinaries
(Indexed at 100 on 21 July 2002)



* Index of the share prices of BlueScope Steel, OneSteel, Sims and Smorgon Steel (not weighted by market capitalisation)

The Future for Steel

- **Steel Consumption is rising, driven by China**
- **Less government ownership**
- **Consolidation is occurring, at least regionally**

Conclusion

Australian steel industry undergone massive restructuring

An exciting decade ahead

- **supply and demand changing**
- **potential for strong sustainable steel prices**

Australian steel companies are creating value

OneSteel has undergone a process of reinvention

I believe we really are seeing the reinvention of steel

