

# Experiences with Structural Adjustment of the Australian Steel industry

Presentation by Dr Bob Every

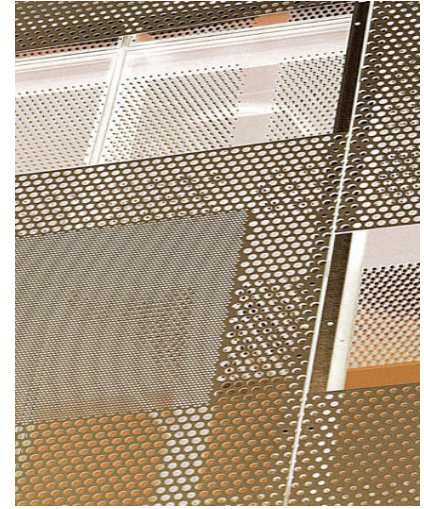
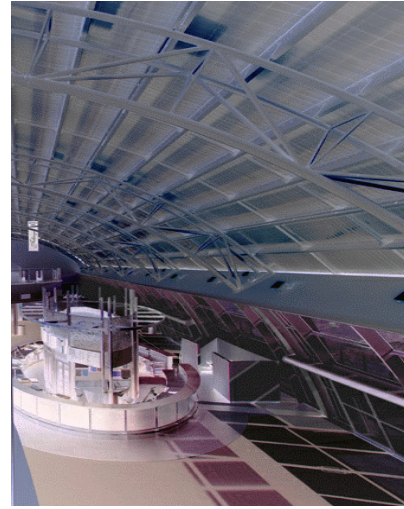
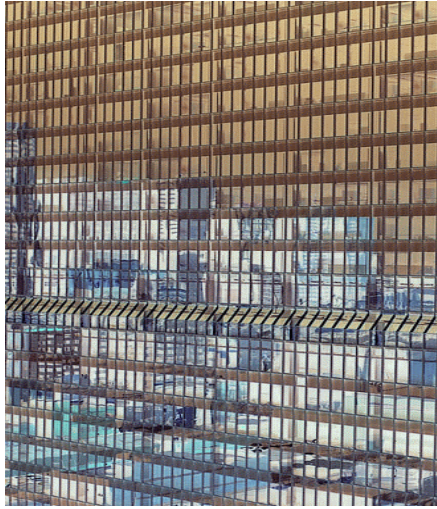
Managing Director and CEO of OneSteel Limited

September 9, 2004

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- Global Industry Landscape
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# Global Steel Industry Landscape

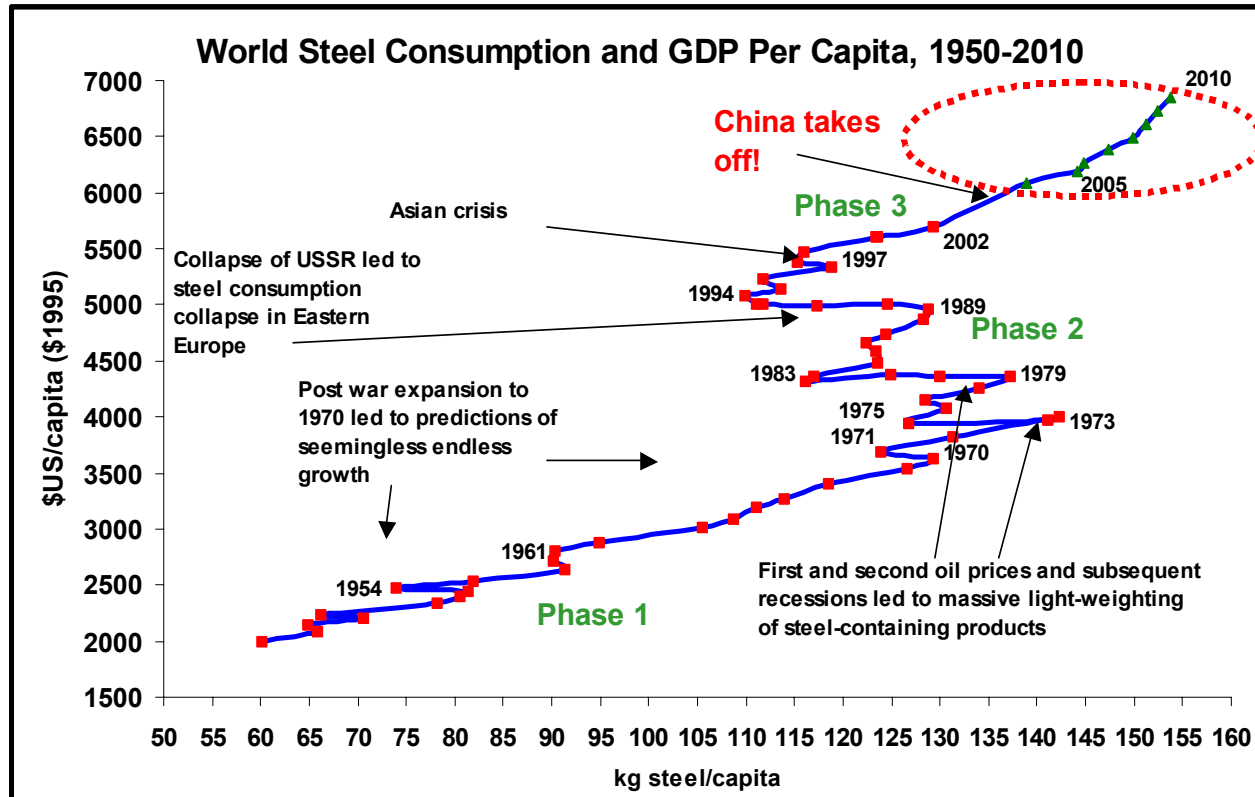
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# Global Steel Industry Landscape

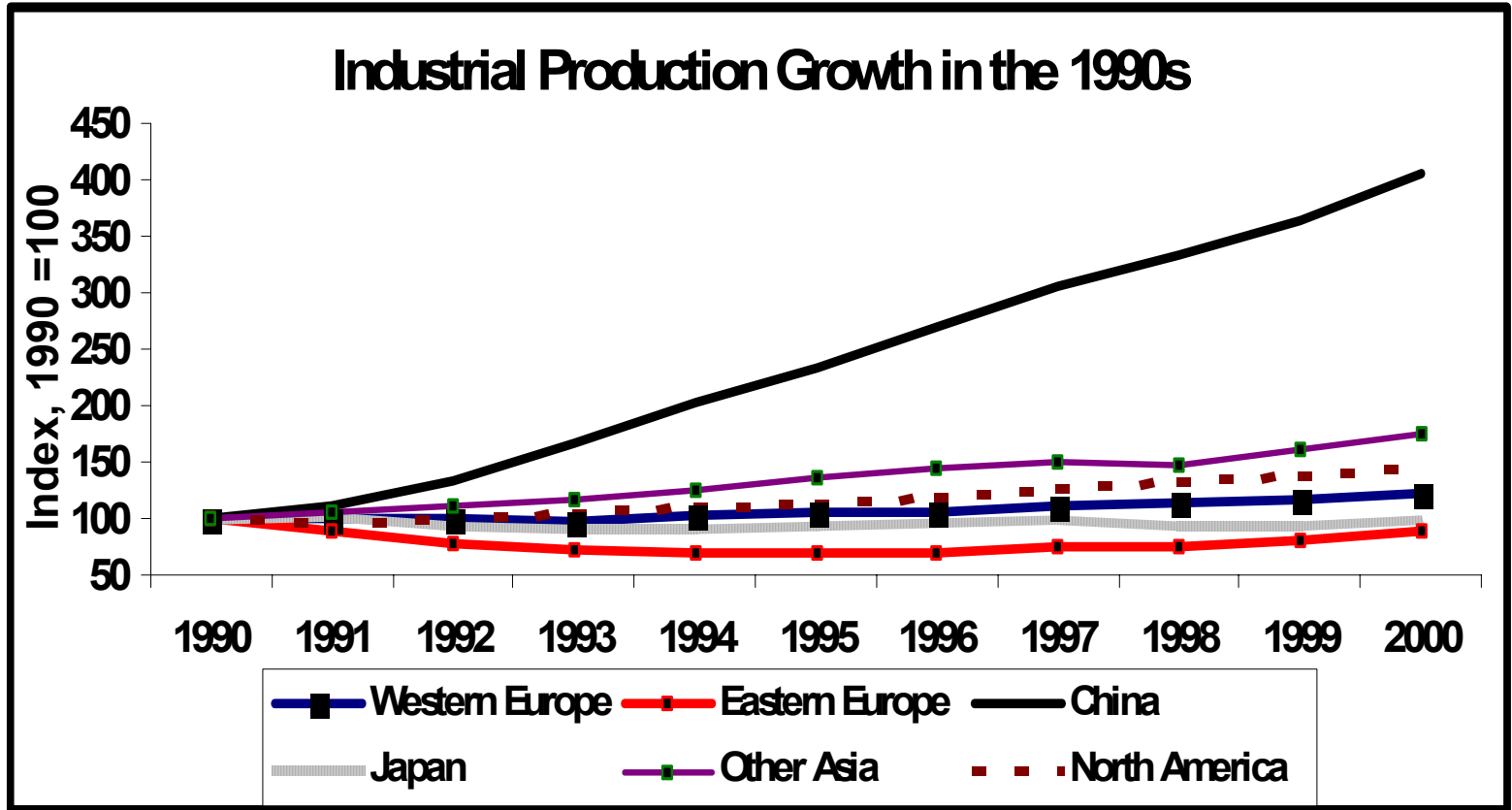
- **Period from 1970 to 2000**
  - **Global Over-capacity**
    - 800 million tonnes demand
    - 950 million tonnes capacity
  - **Fragmented Industry**
    - 95 players produce more than 2 million tonnes p.a
    - Top player only produces 3-4% of world production
- **Since 2000**
  - Some consolidation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



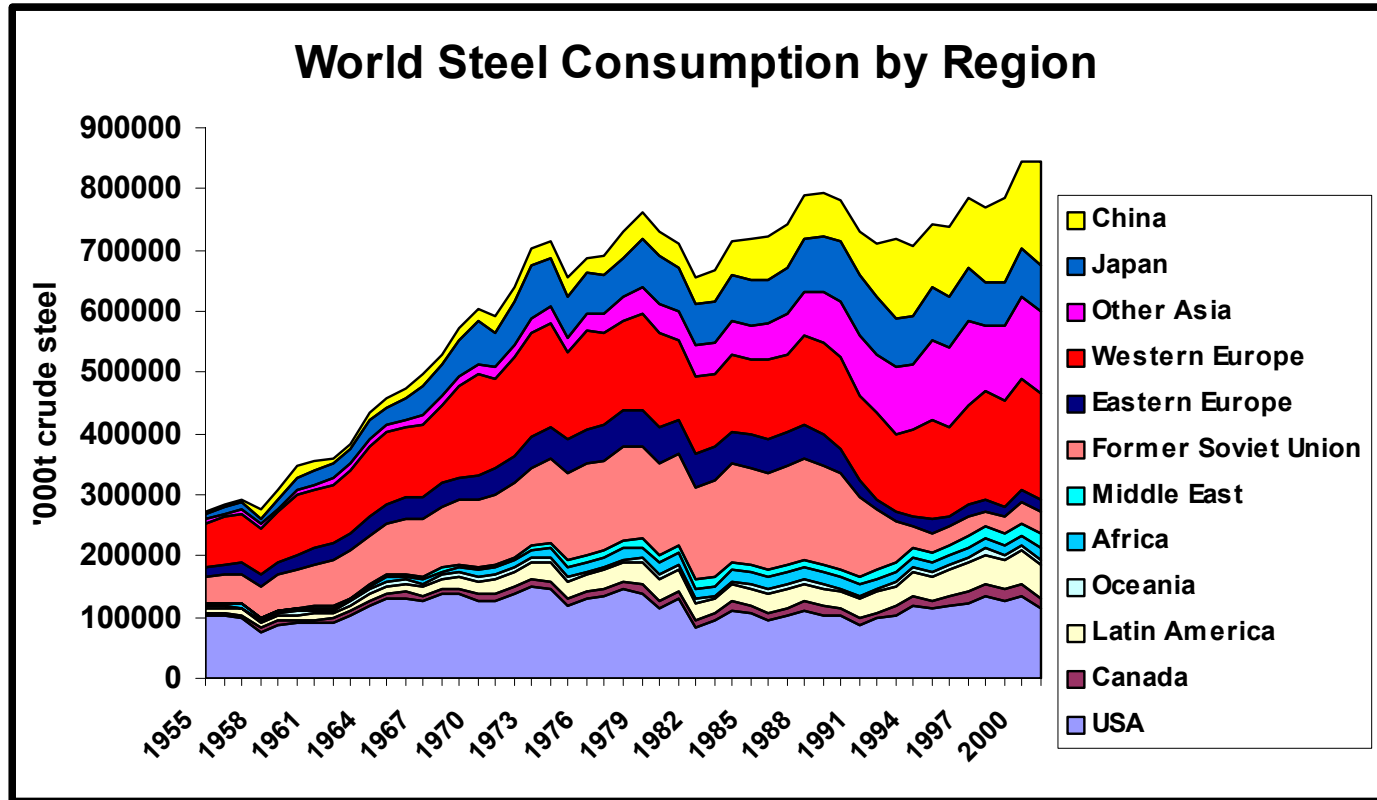
# Steel in the Global Context



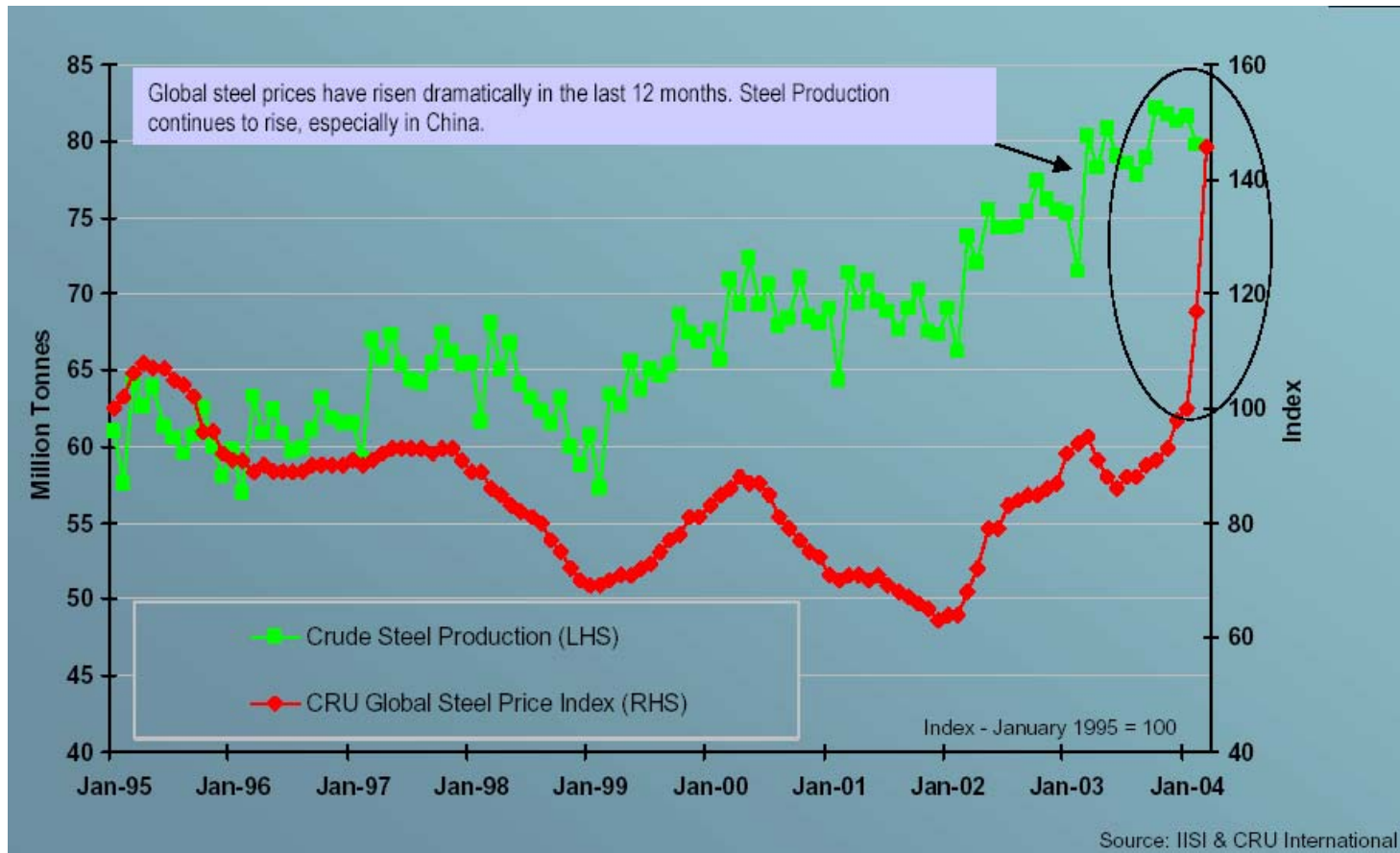
# Steel in the Global Context



# Steel in the Global Context

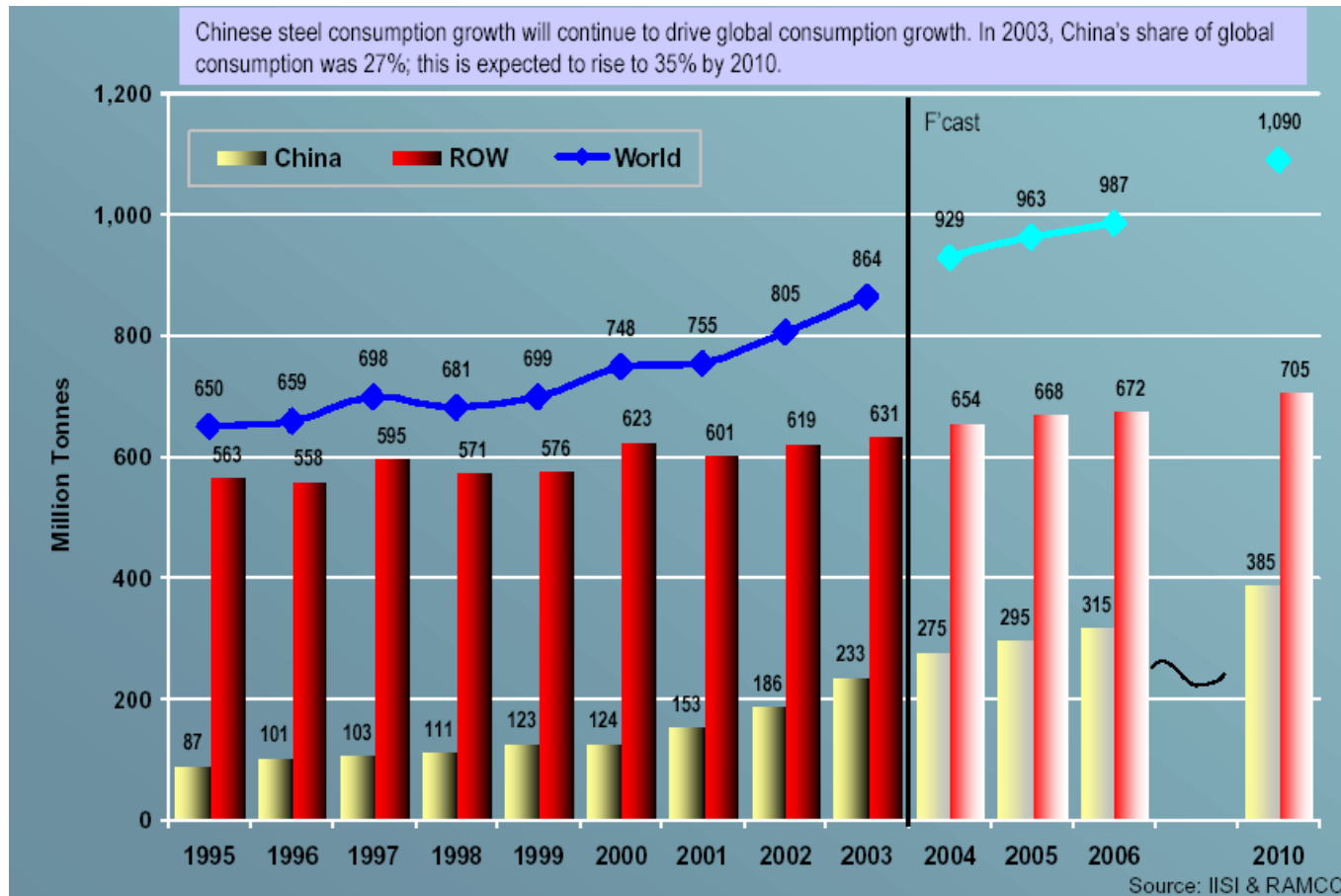


# International Steel Production and Prices





# International Steel Forecast Demand



# Steel in the Global Context

**Early signs of a complementary change on the production side**

**Consolidation is occurring**

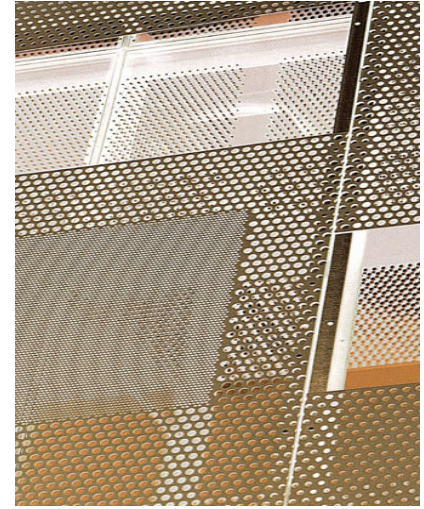
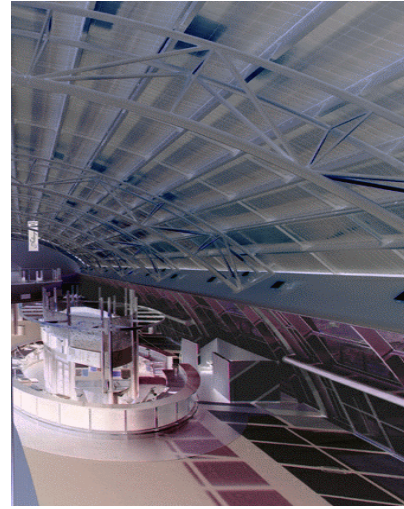
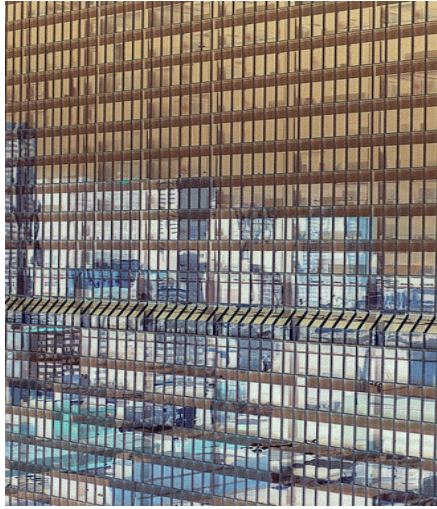
- **Corus – from merger of British Steel and Hoogovens**
- Arcelor – from merger of Usinor, Arbed and Aceralia**
- JFE Steel – from NKK and Kawasaki**
- U.S. Steel acquired assets of National Steel**
- Nucor has made four acquisitions over two years**

# Steel in the Global Context

**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**

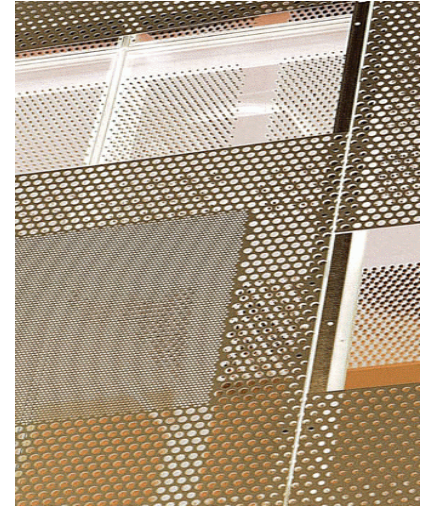
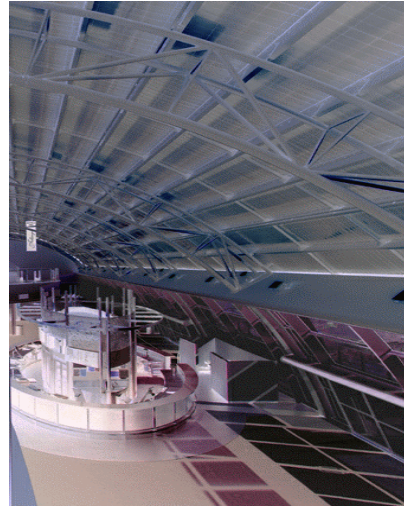
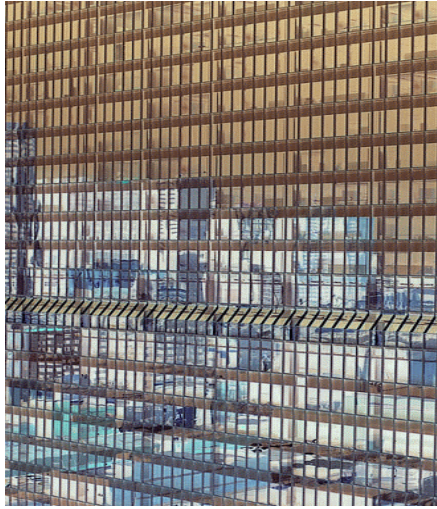
**5 million  
tonnes**

**Mainly Domestic**

**Export**

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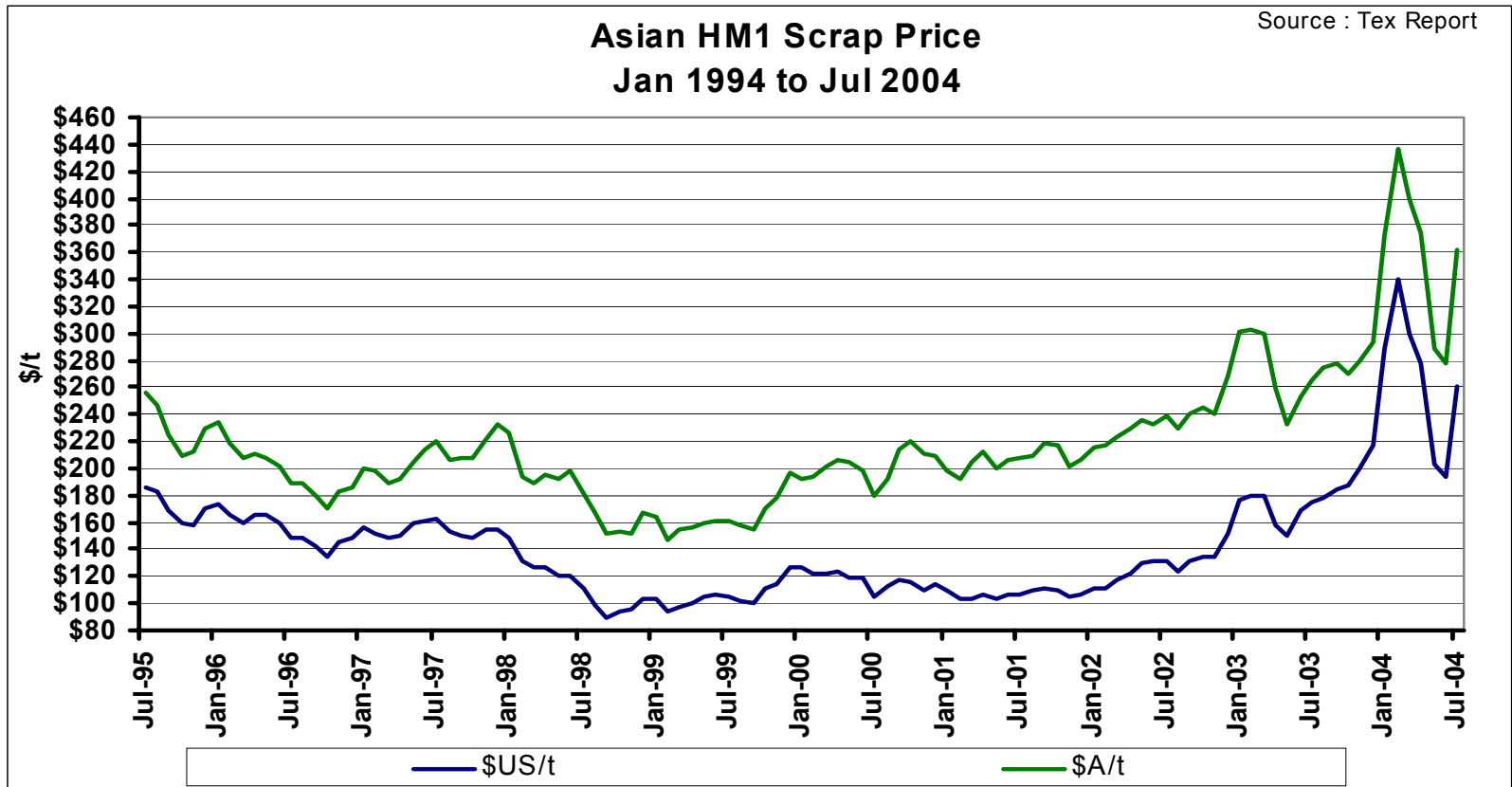




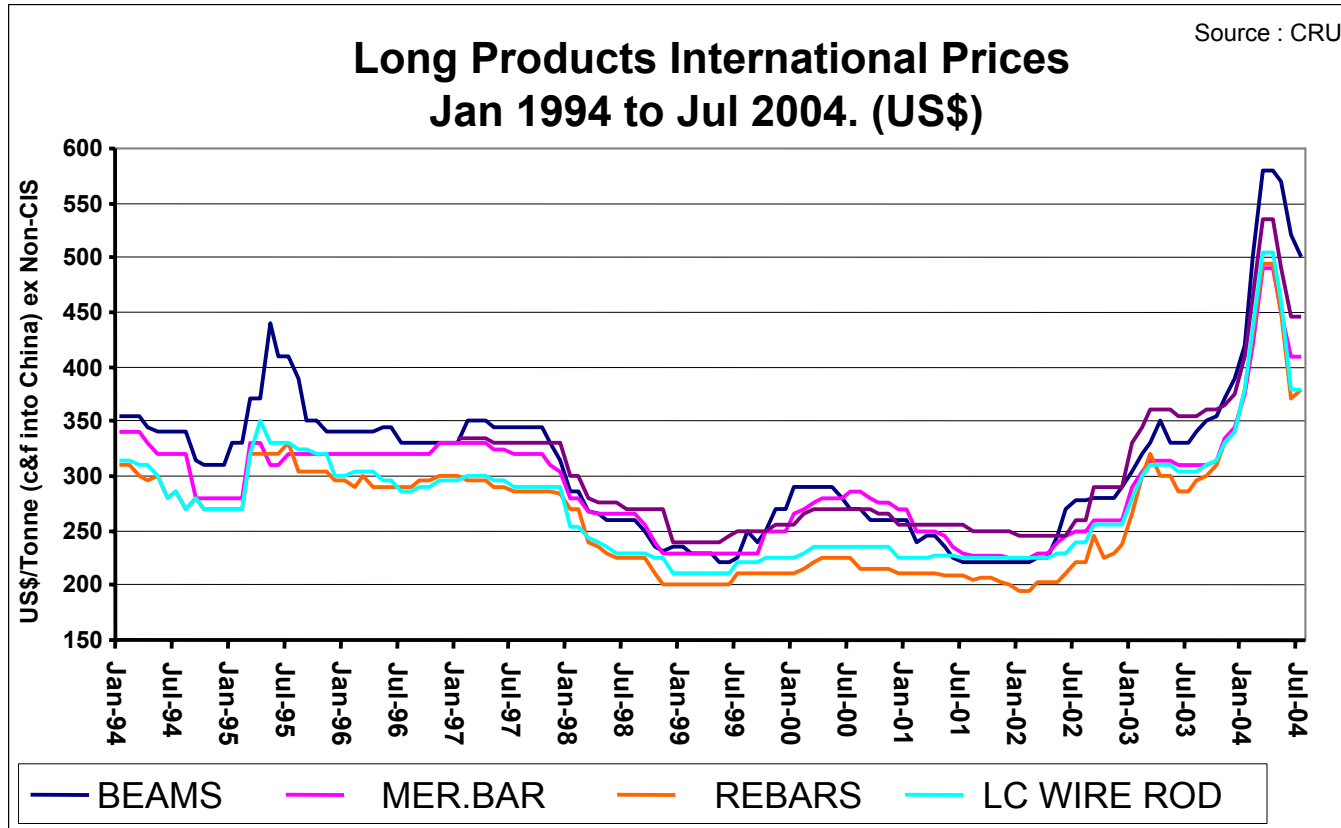
# Current Trends and Structural Impacts

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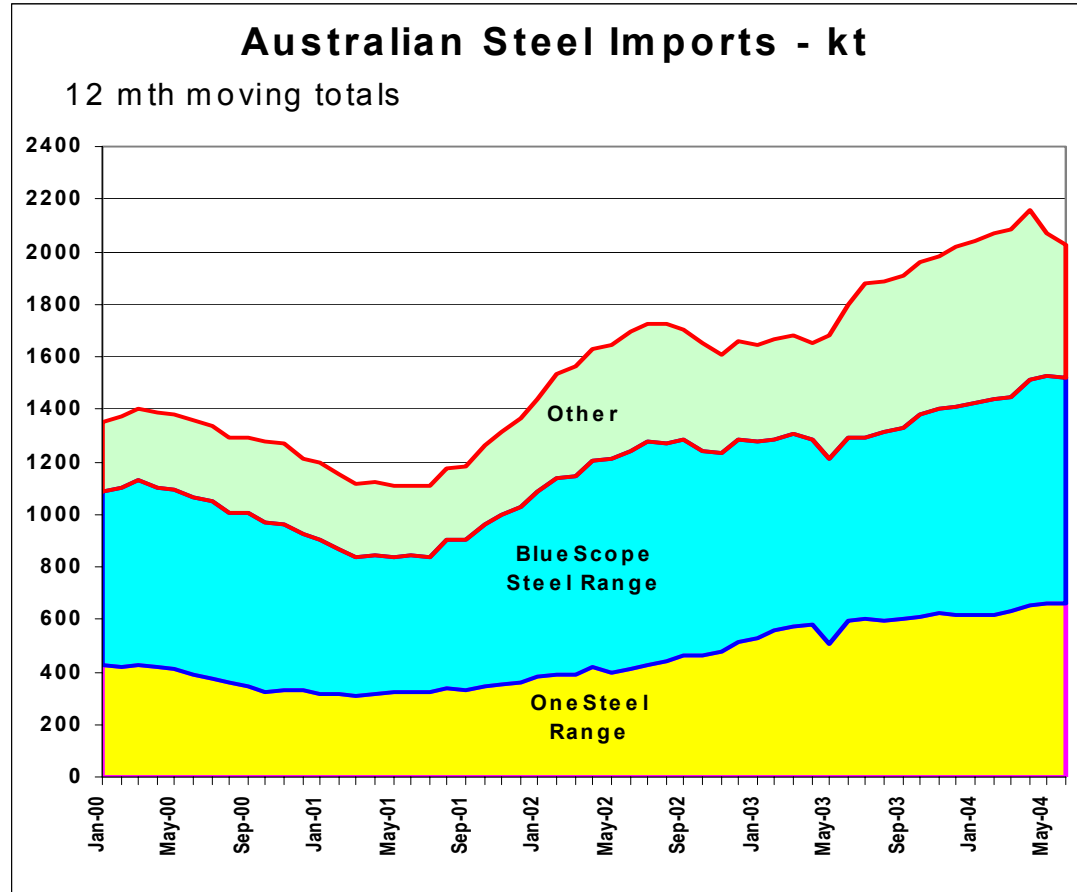
# Scrap Prices



# Trends in International Long Product Steel Prices



# Imports into Australia

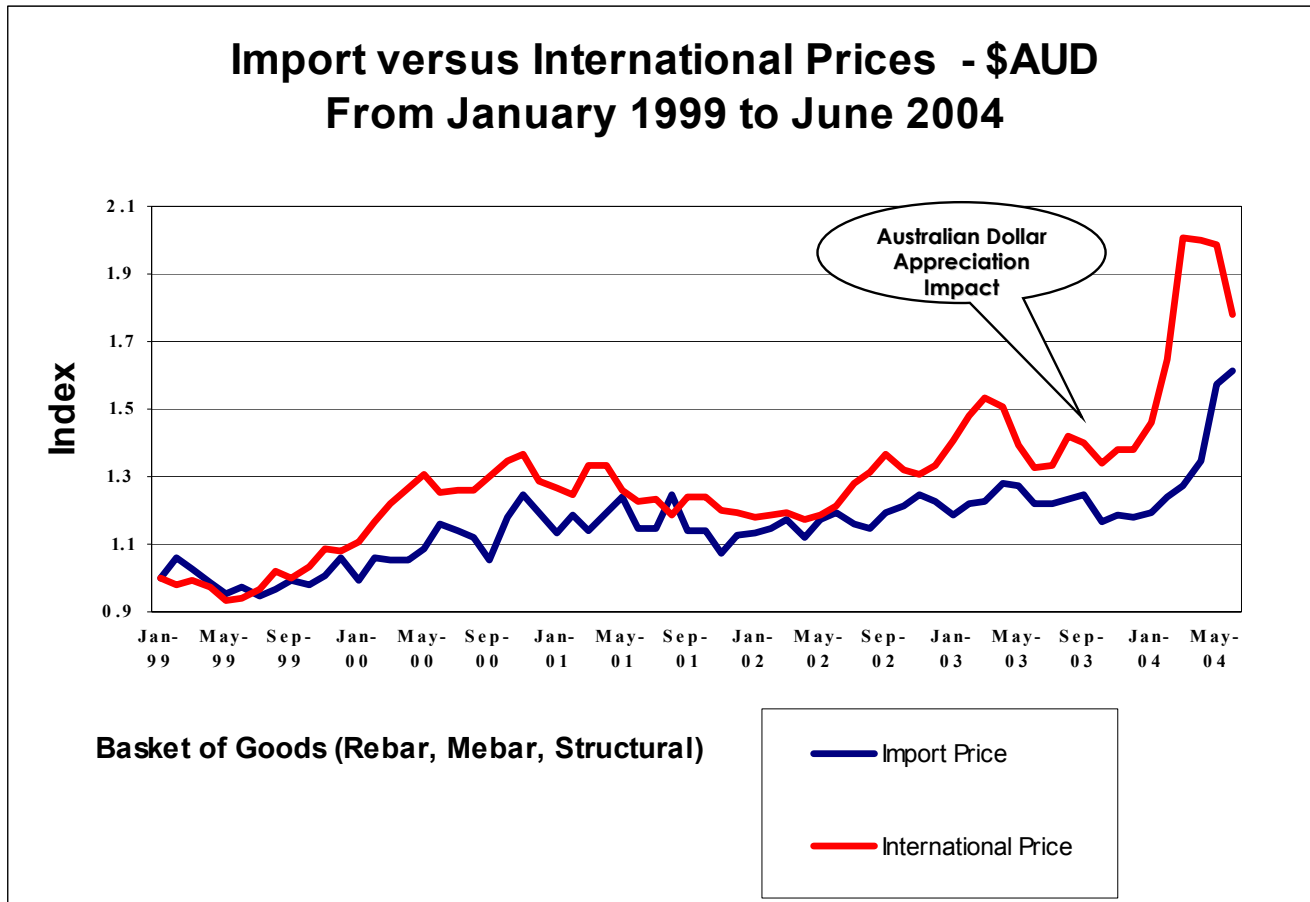


Source: Australian Bureau of Statistics and OST data

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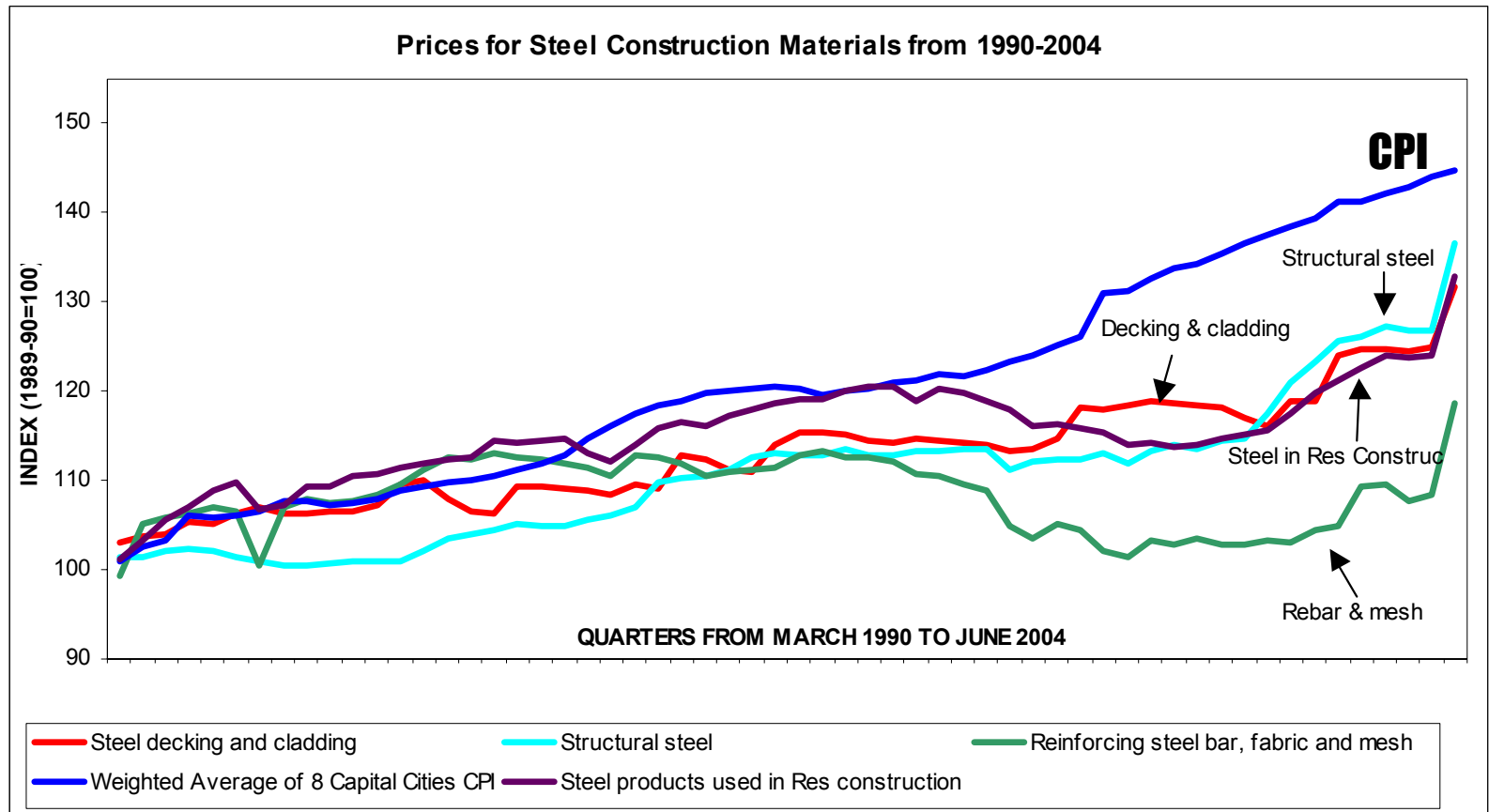
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# Import versus International Prices



Source: Australian Bureau of Statistics and OST data

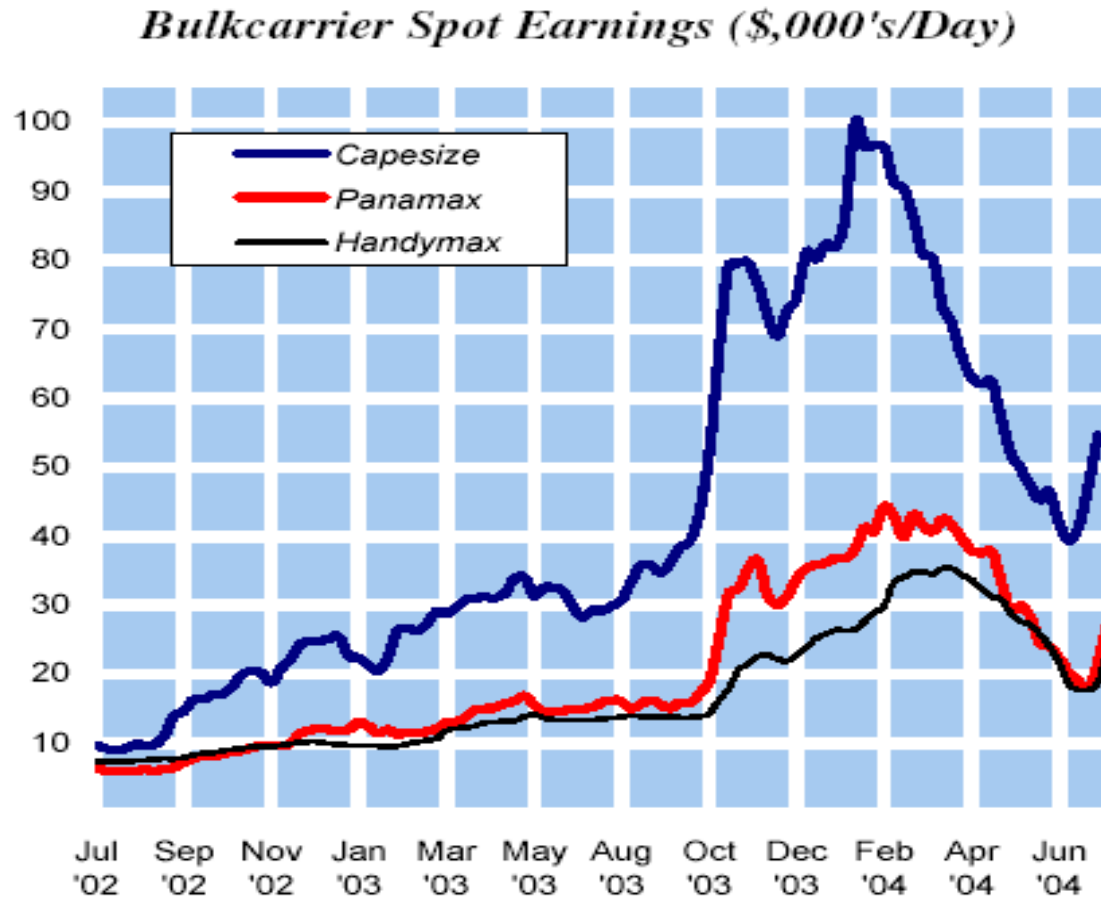
# Australian Steel Price Index



Source: Australian Bureau of Statistics

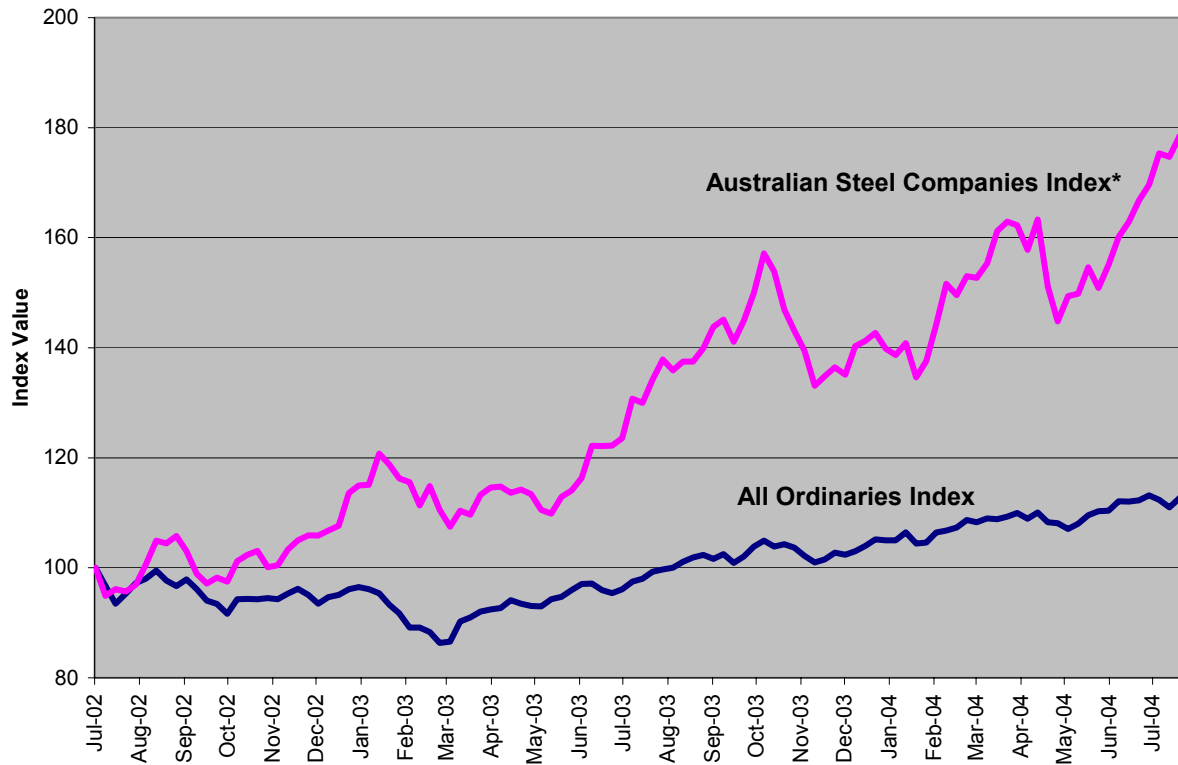


# International Freight Rates



# 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**

