

Experiences with Structural Adjustment of the Australian Steel industry

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September 9, 2004

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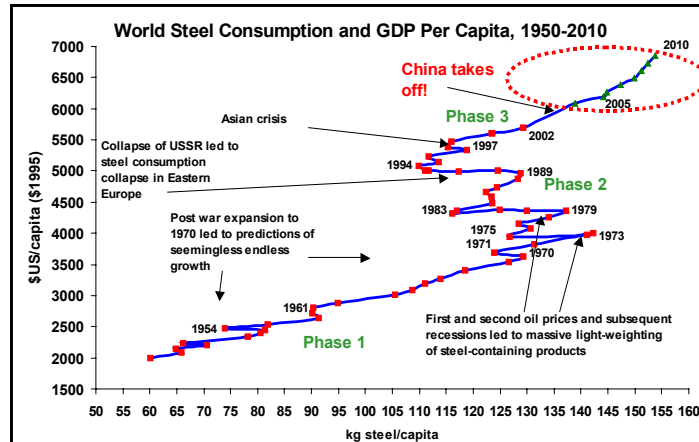
Global Steel Industry Landscape

- **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

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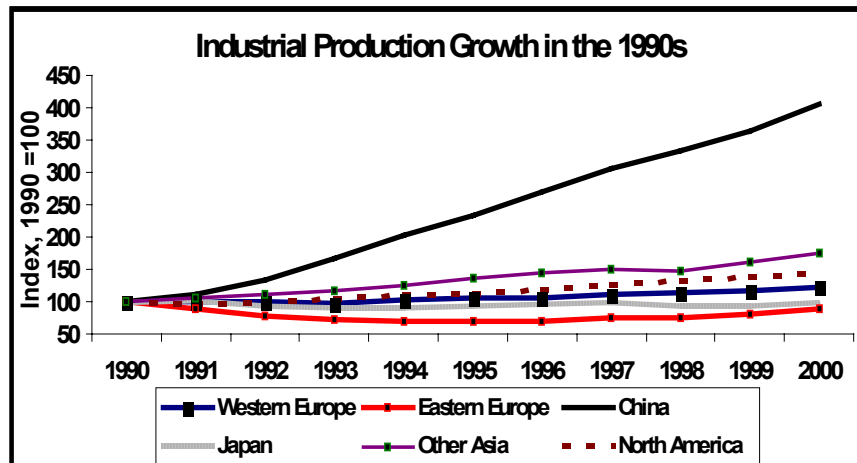
Steel in the Global Context



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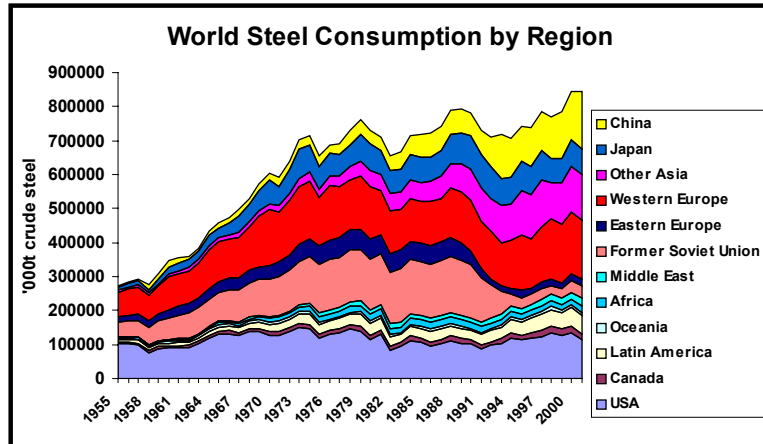
Steel in the Global Context



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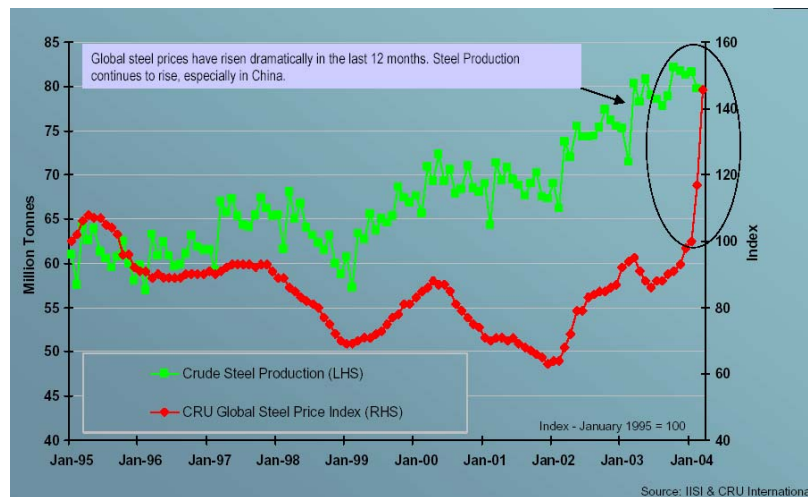
Steel in the Global Context



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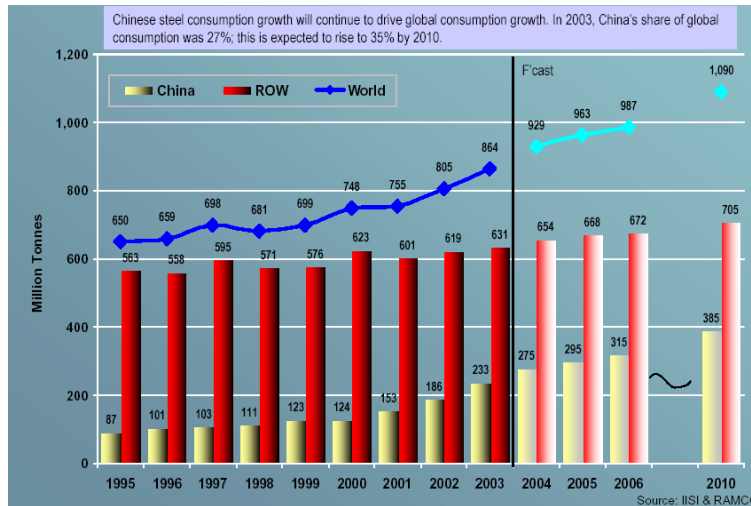
International Steel Production and Prices



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International Steel Forecast Demand



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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 Aleralia
- JFE Steel – from NKK and Kawasaki
- U.S. Steel acquired assets of National Steel
- Nucor has made four acquisitions over two years

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Steel in the Global Context

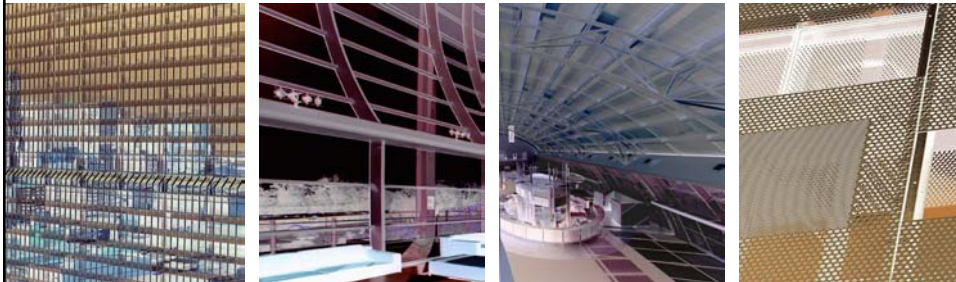
So what does this all mean?

**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**

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Australian Steel Industry Landscape

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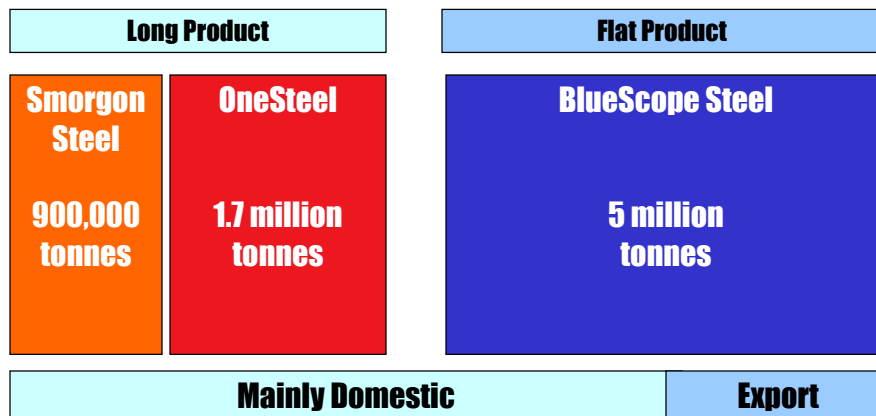
Australian Steel Industry Landscape

- 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)

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Australian Steel Industry Landscape

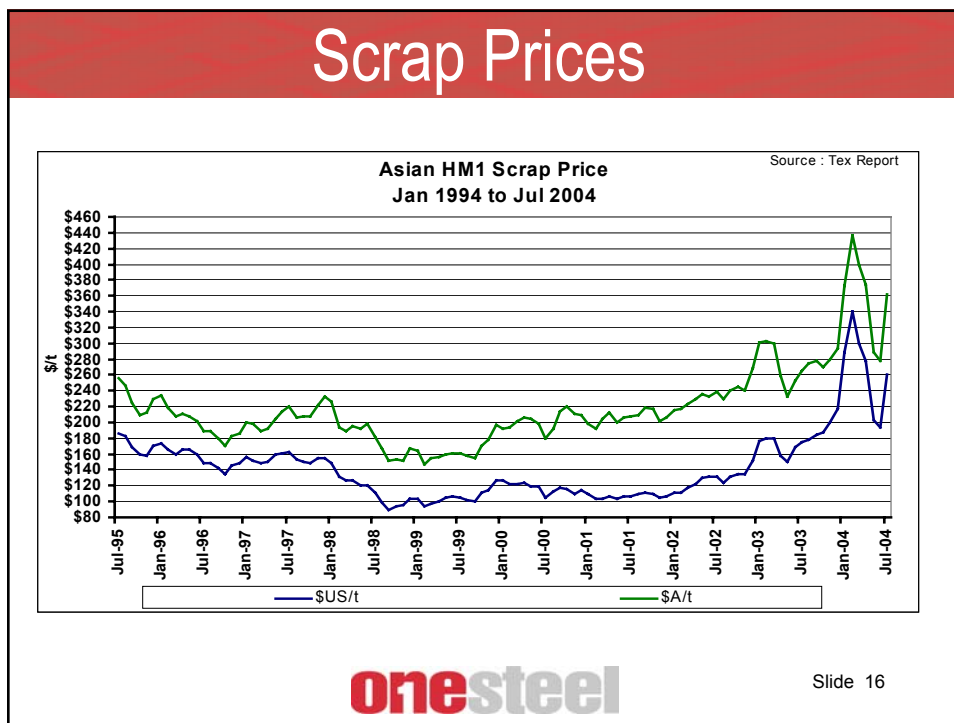


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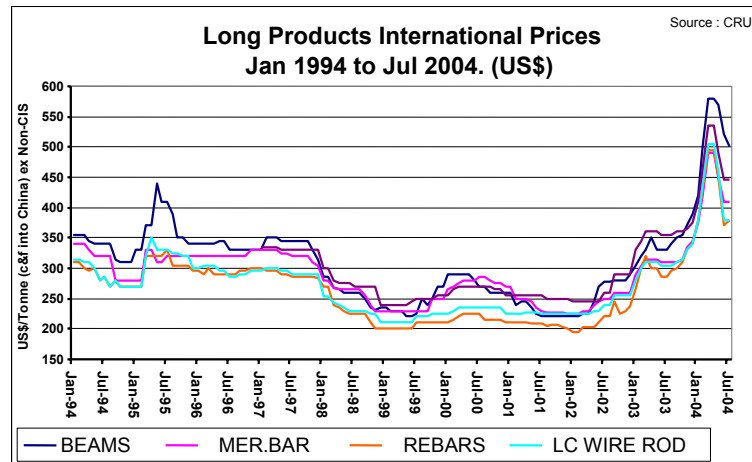
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Current Trends and Structural Impacts

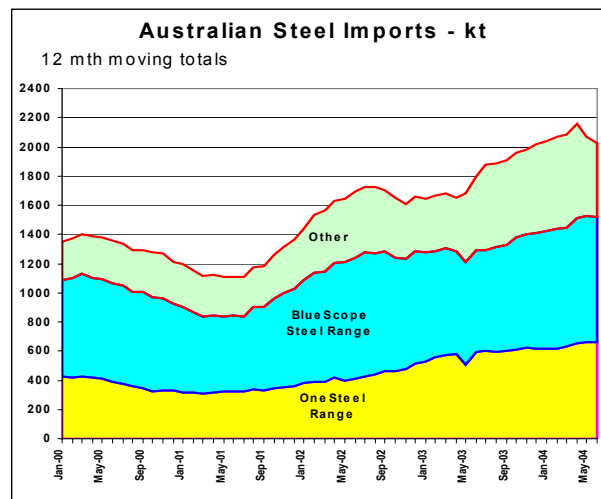
Trends in International Long Product Steel Prices



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Imports into Australia

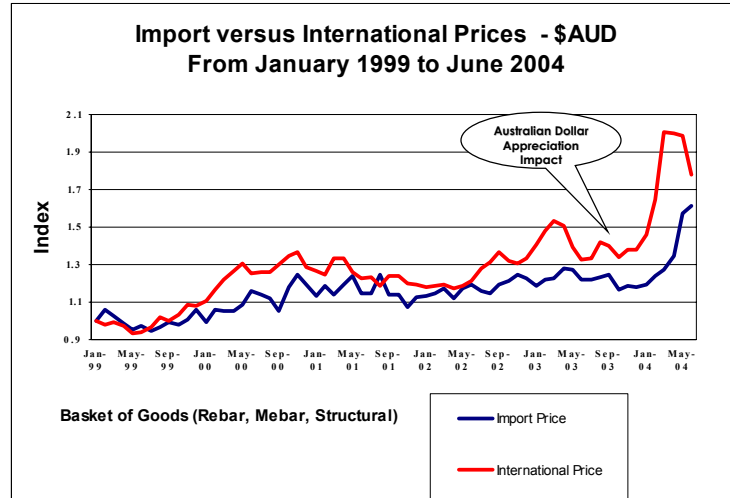


Source: Australian Bureau of Statistics and OST data

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Import versus International Prices

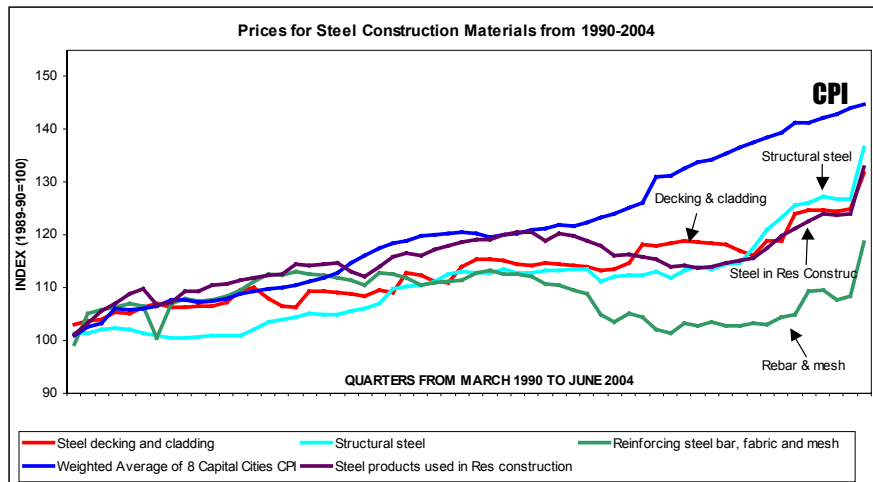


Source: Australian Bureau of Statistics and OST data

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Australian Steel Price Index

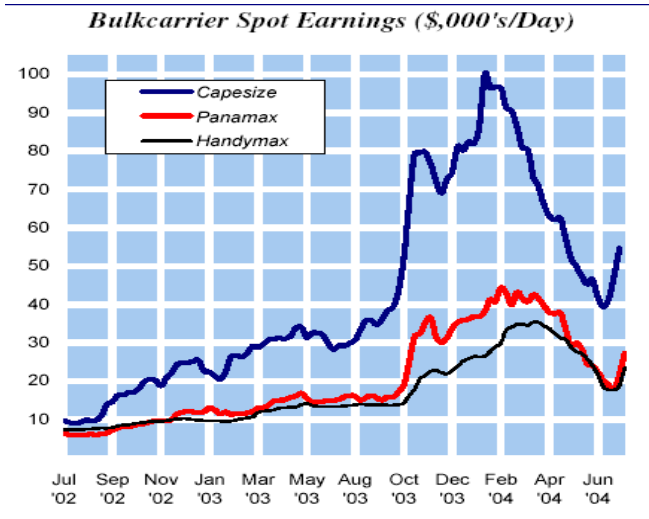


Source: Australian Bureau of Statistics

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International Freight Rates

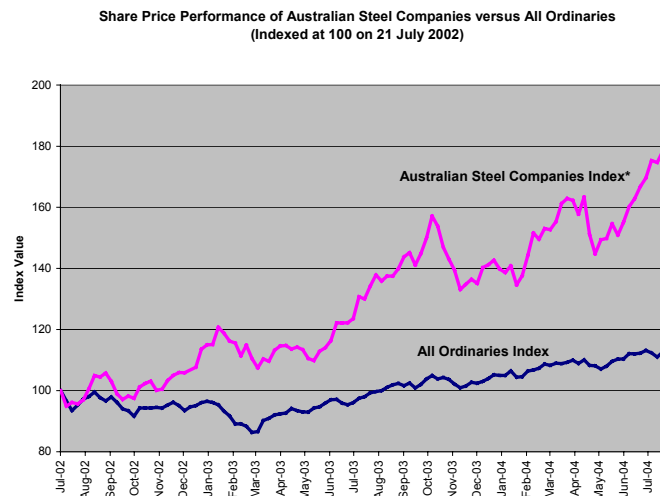


Source: Clarkson Research Studies

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Performance of Australian Steel Companies



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

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The Future for Steel

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



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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



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