

2006 Ironmaking Raw Materials in review



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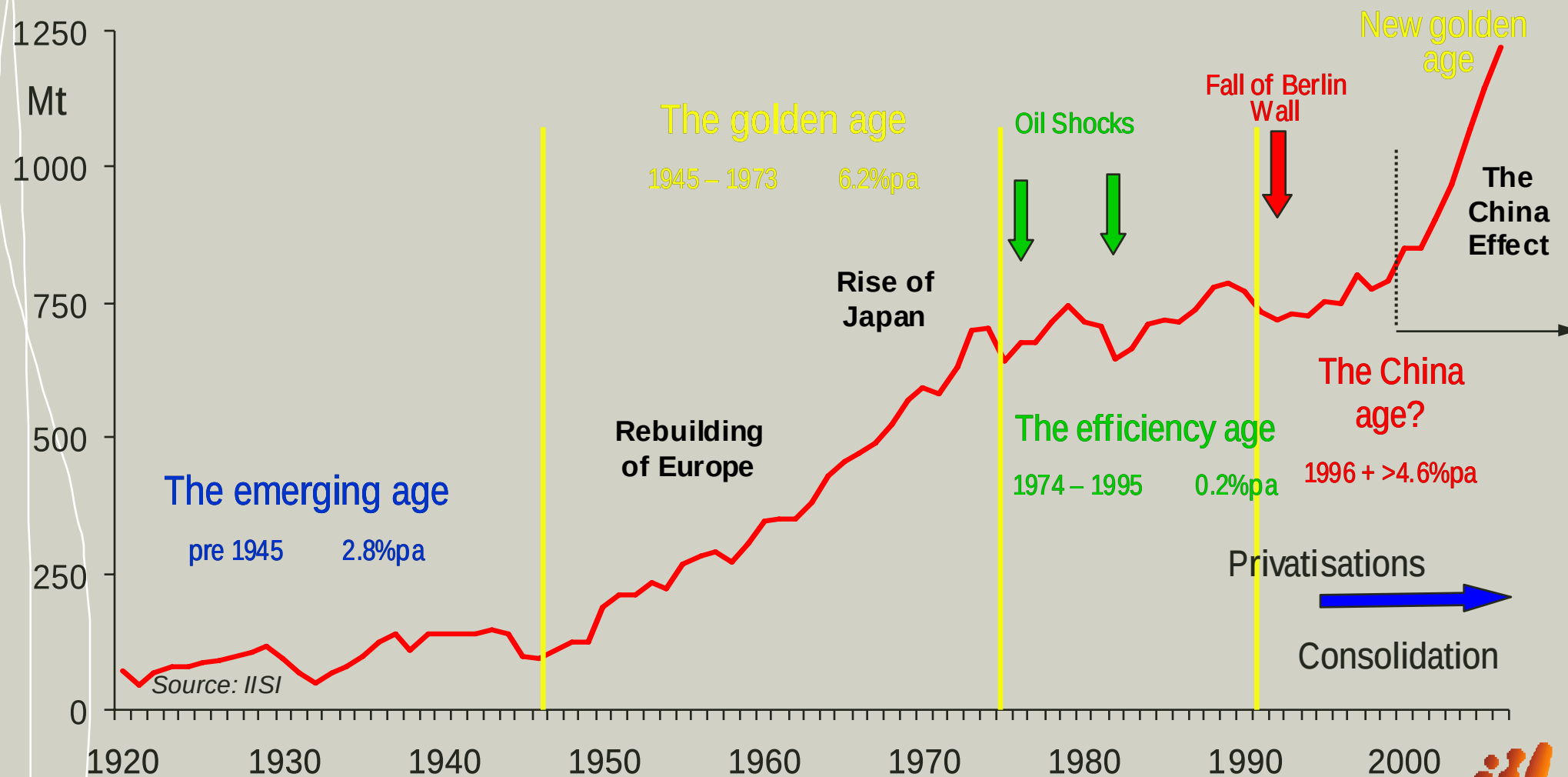
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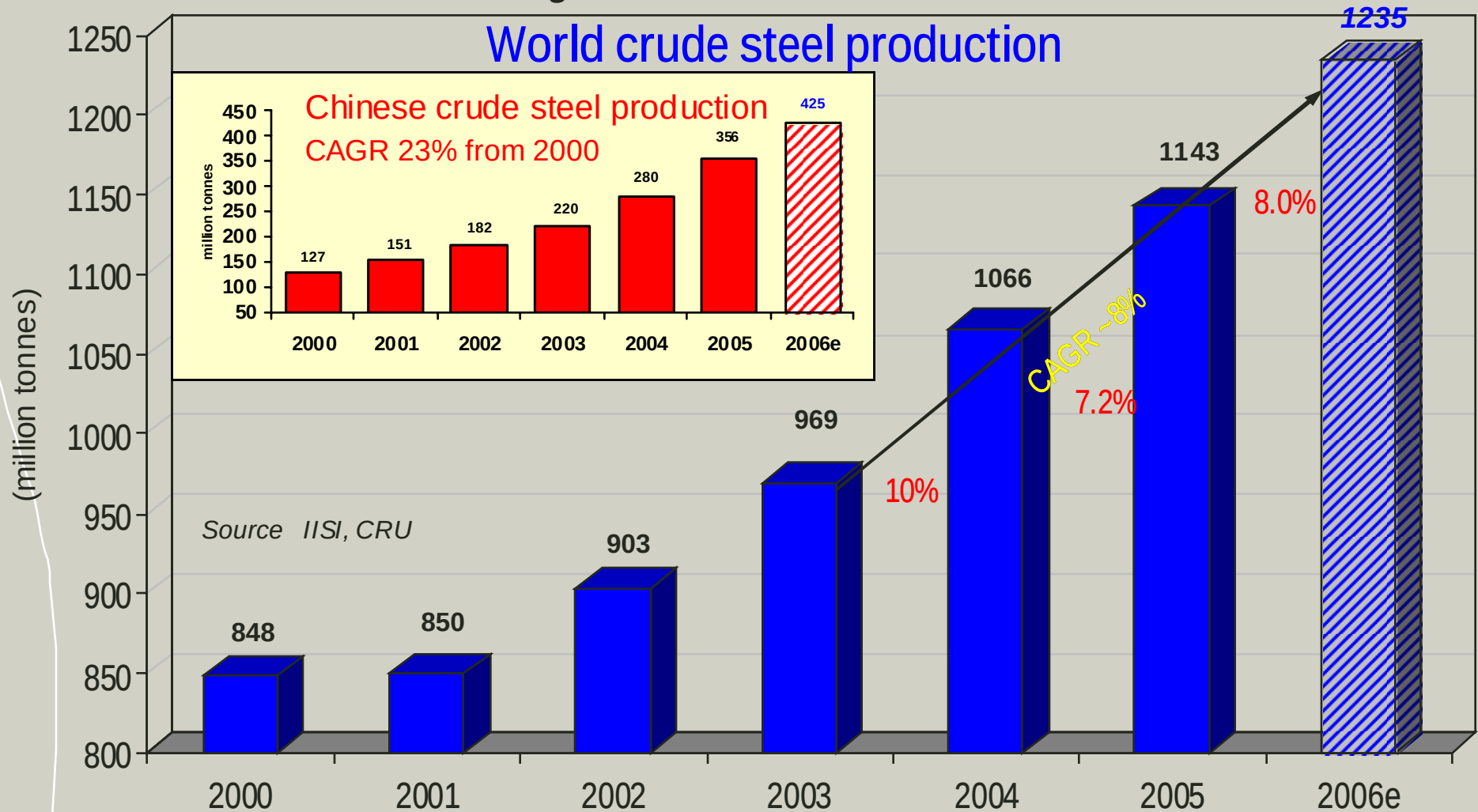
The global steel industry continues to power on

Global steel production has maintained strong growth since the “pick up” ~2000, with growth rates of 5%pa from 1996 and 7.6%pa from 2001



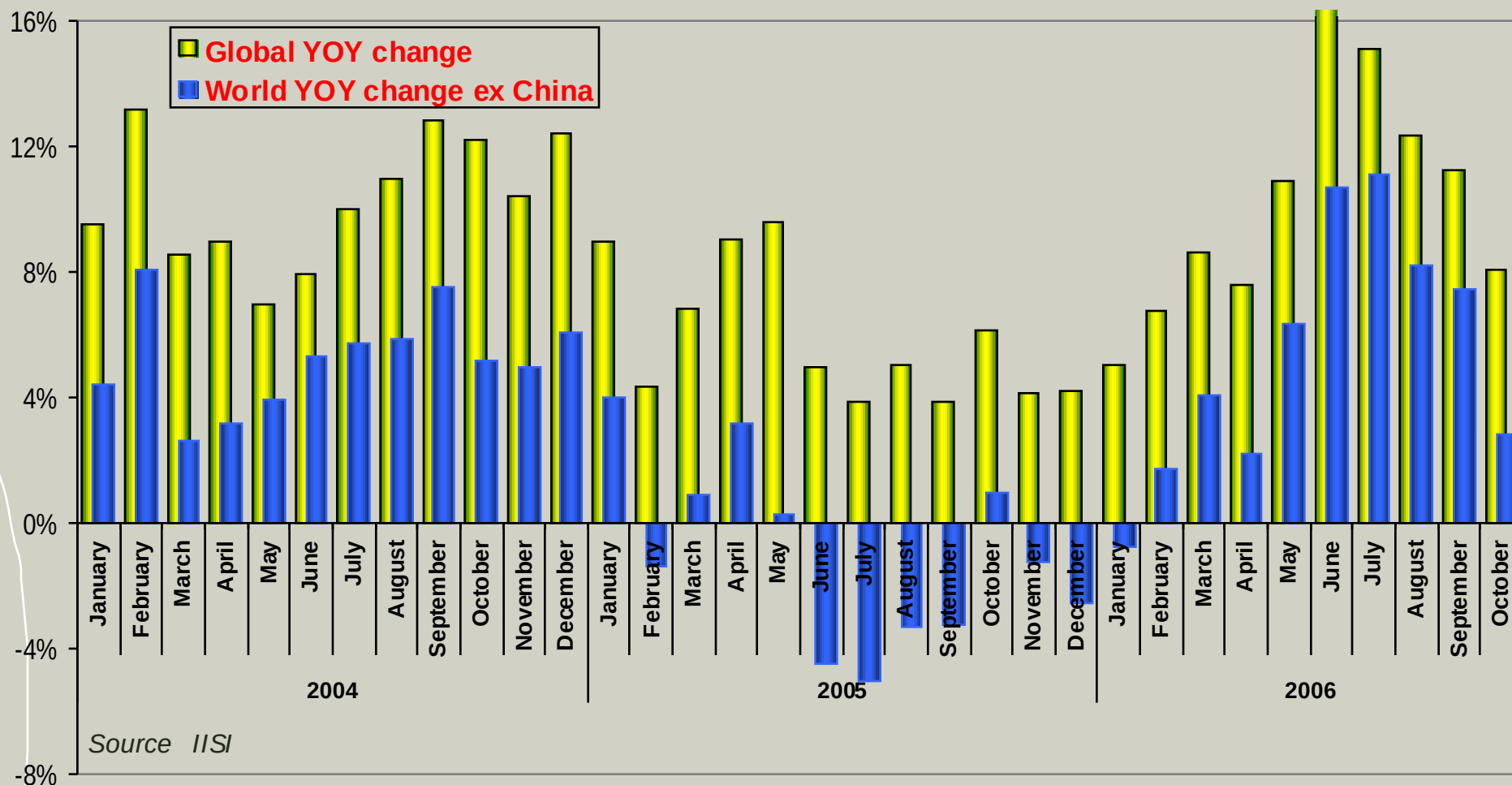
2006 has seen a continuation of the growth of the past 5 years

Global steel growth has been led predominantly by Chinese demand and production growth, outlook is for continued robust growth



2006 has seen more balanced steel production than 2005

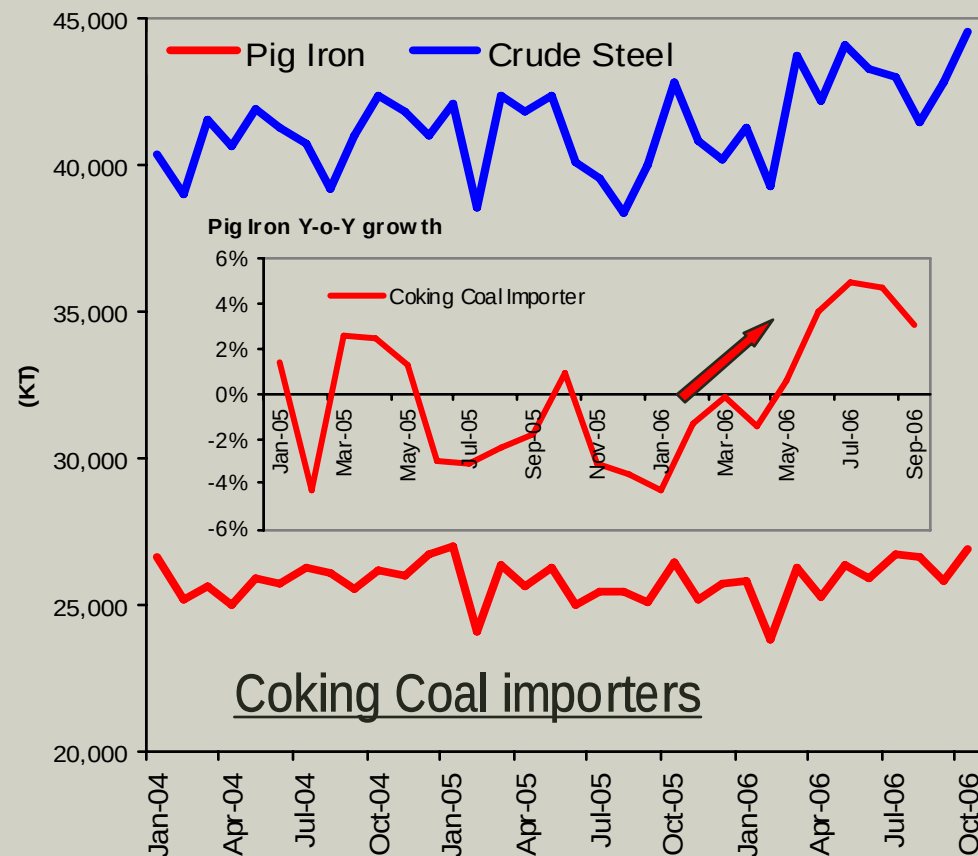
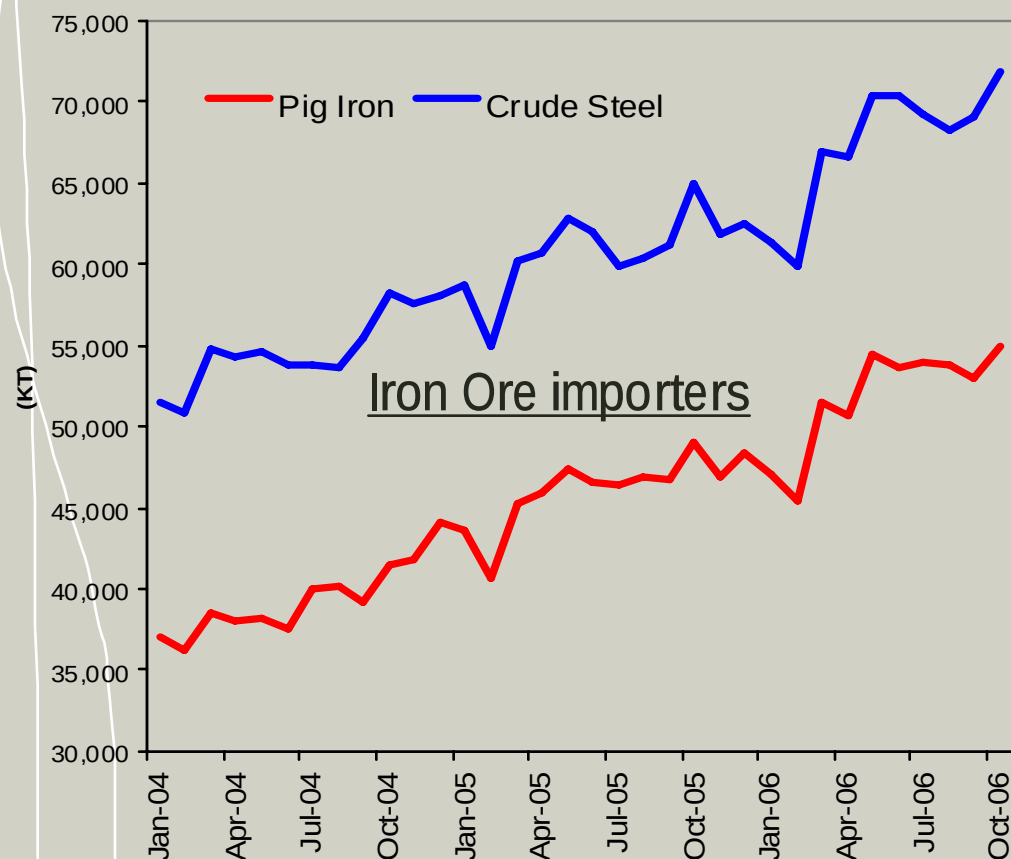
Crude steel production in 2006 saw a recovery in non Chinese production after a weak 2005; China YTD contributed ~63% of total global steel production growth



Source IISI

Pig iron production – seaborne iron ore vs coking coal importers

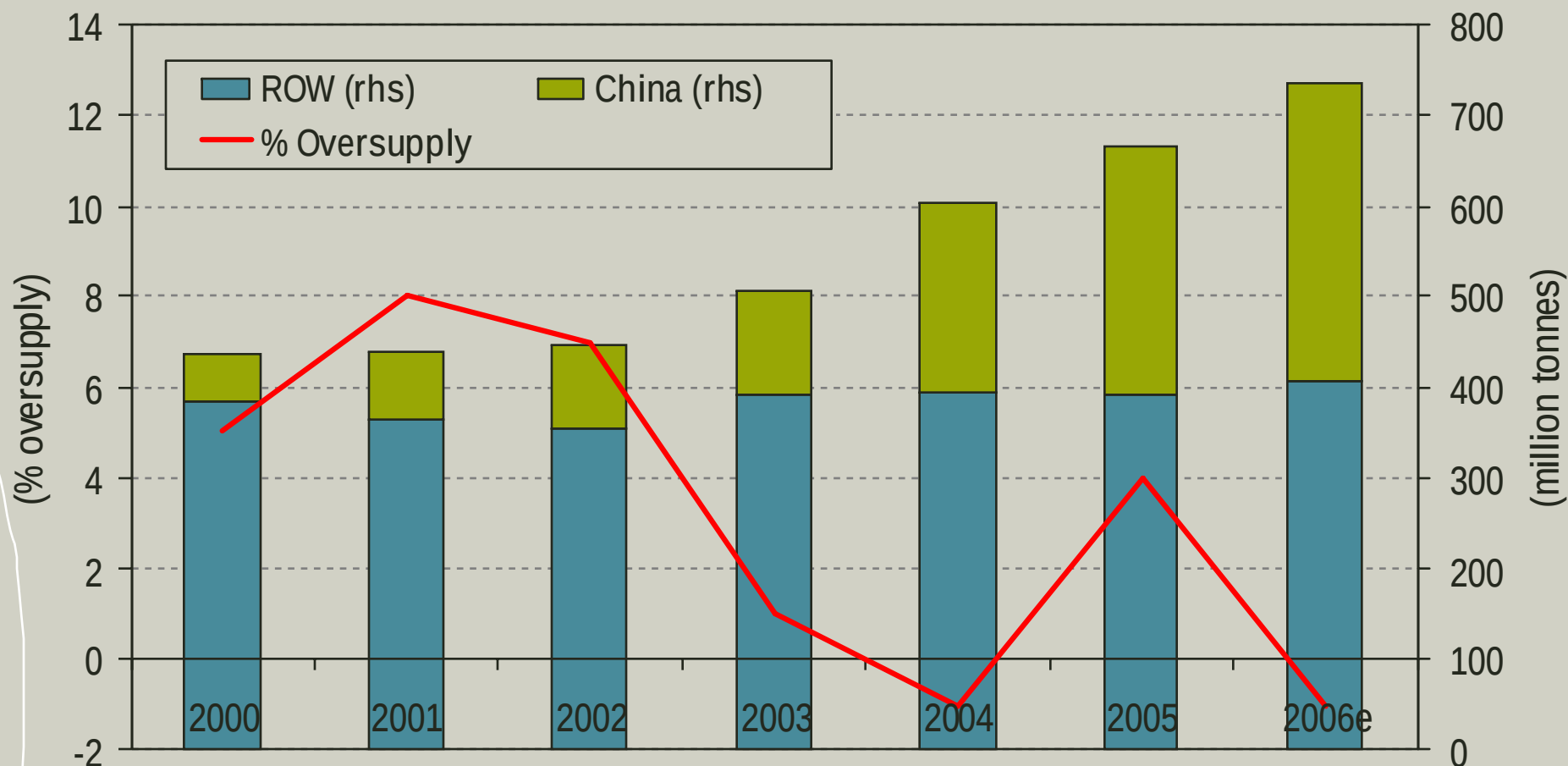
Greater pig iron increase from seaborne iron ore importing countries, YTD+13% due to dominance of China, coking coal importing countries, YTD up 1.2% with 2006 recovery



Source IISI, BHP Billiton

Global iron ore demand growth has been dominated by China

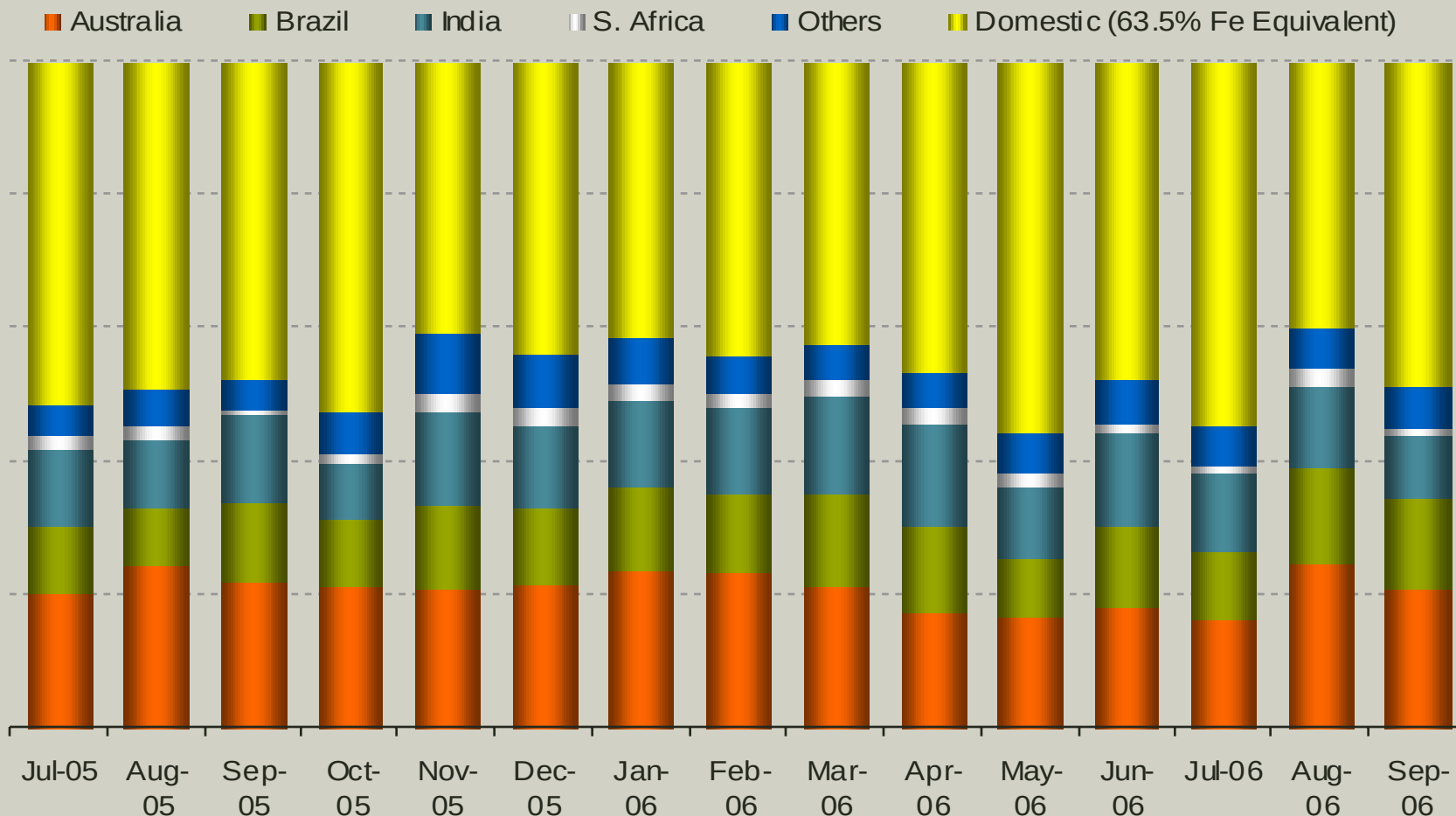
Seaborne iron ore demand has increased by around 300 million tonnes since 2002 due to Chinese imports rising from 90 to an estimated 330 million tonnes in 2006. This has resulted in a sharp deterioration in the market balance driving the market into undersupply



Source: Tex Report, Credit Suisse

Demand shortages have been filled by domestic ores

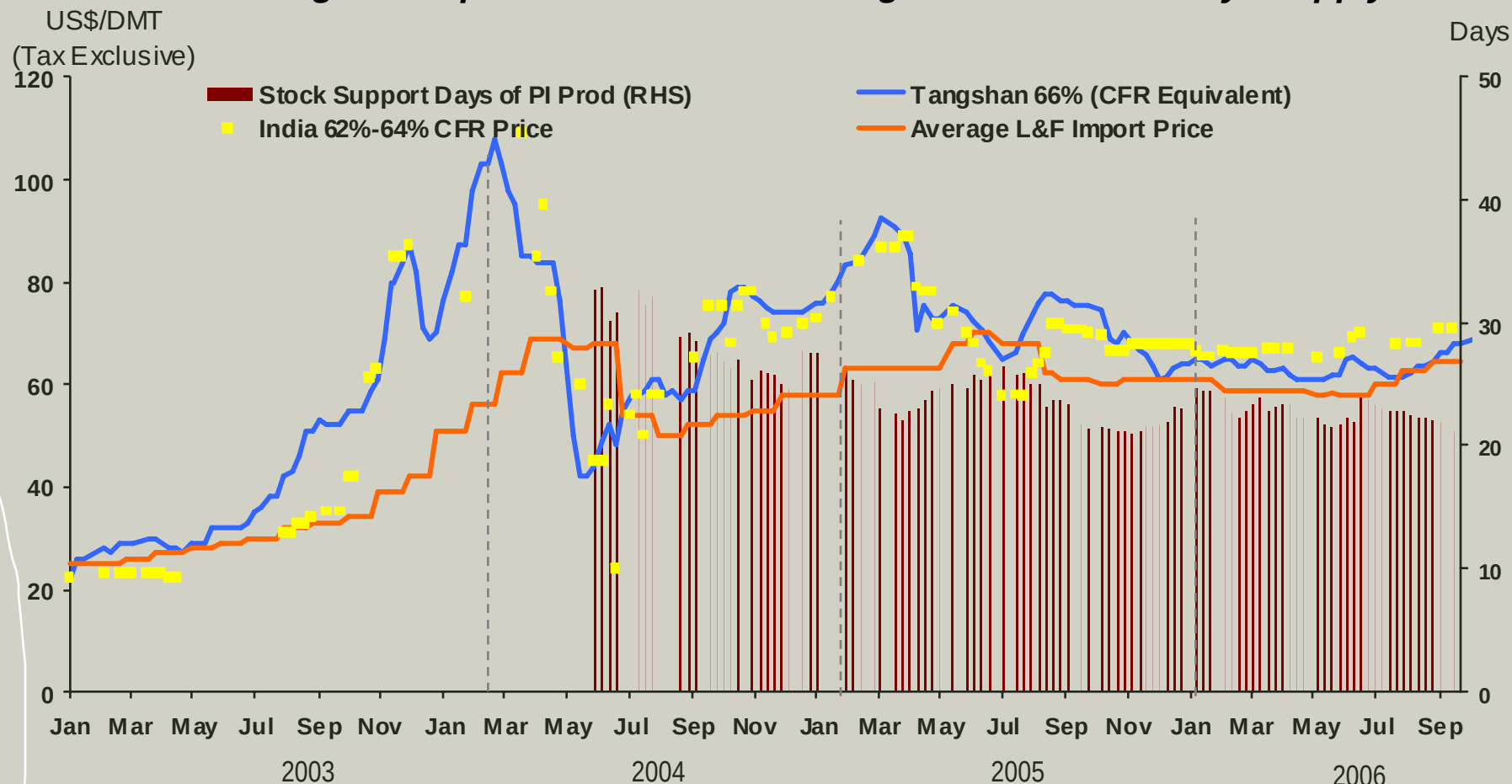
Strongly growing Chinese iron ore demand has only been met by sustained increases in low grade domestic iron ore as seaborne capacity has lagged global demand



Source: China Customs, BHPBilliton Analysis

Chinese iron ore prices remain above Australian contract prices

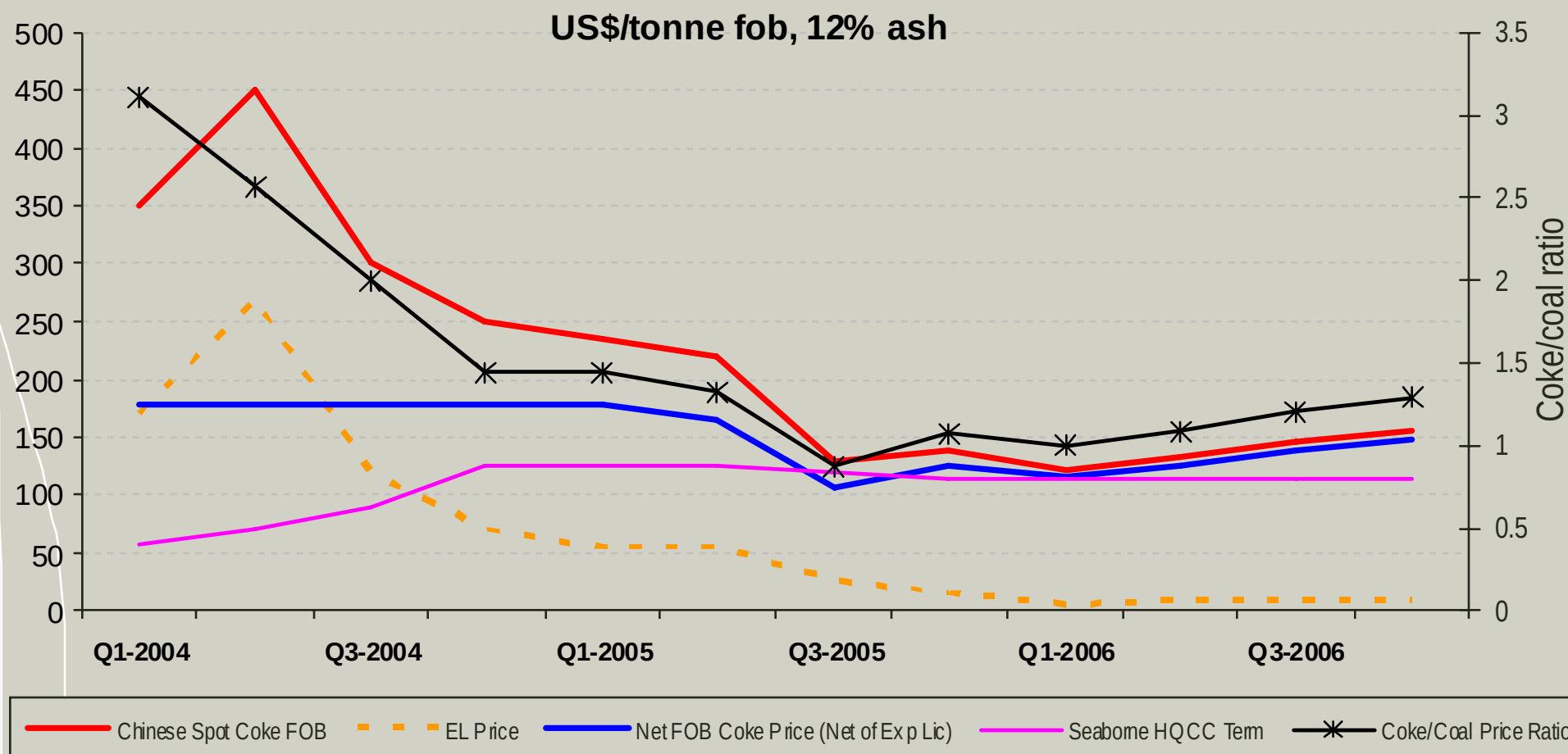
Very strong demand continues to require the use of higher cost imported and domestic ores, which has led to prices well above contract prices from low cost suppliers, Australia. Markets continue to remain tight with port inventories declining in volumes and days supply.



Source: China Customs, Xinhua News Agency, China Maritime Co., www.mysteel.com, www.steelhome.com.cn, BHP Billiton

Seaborne coking coal demand was affected by low coke prices

Demand for hard coking coal was affected by low Chinese coke export prices which resulted in a reduction in production by the Indian NRCO sector which operated at around 25% of total capacity



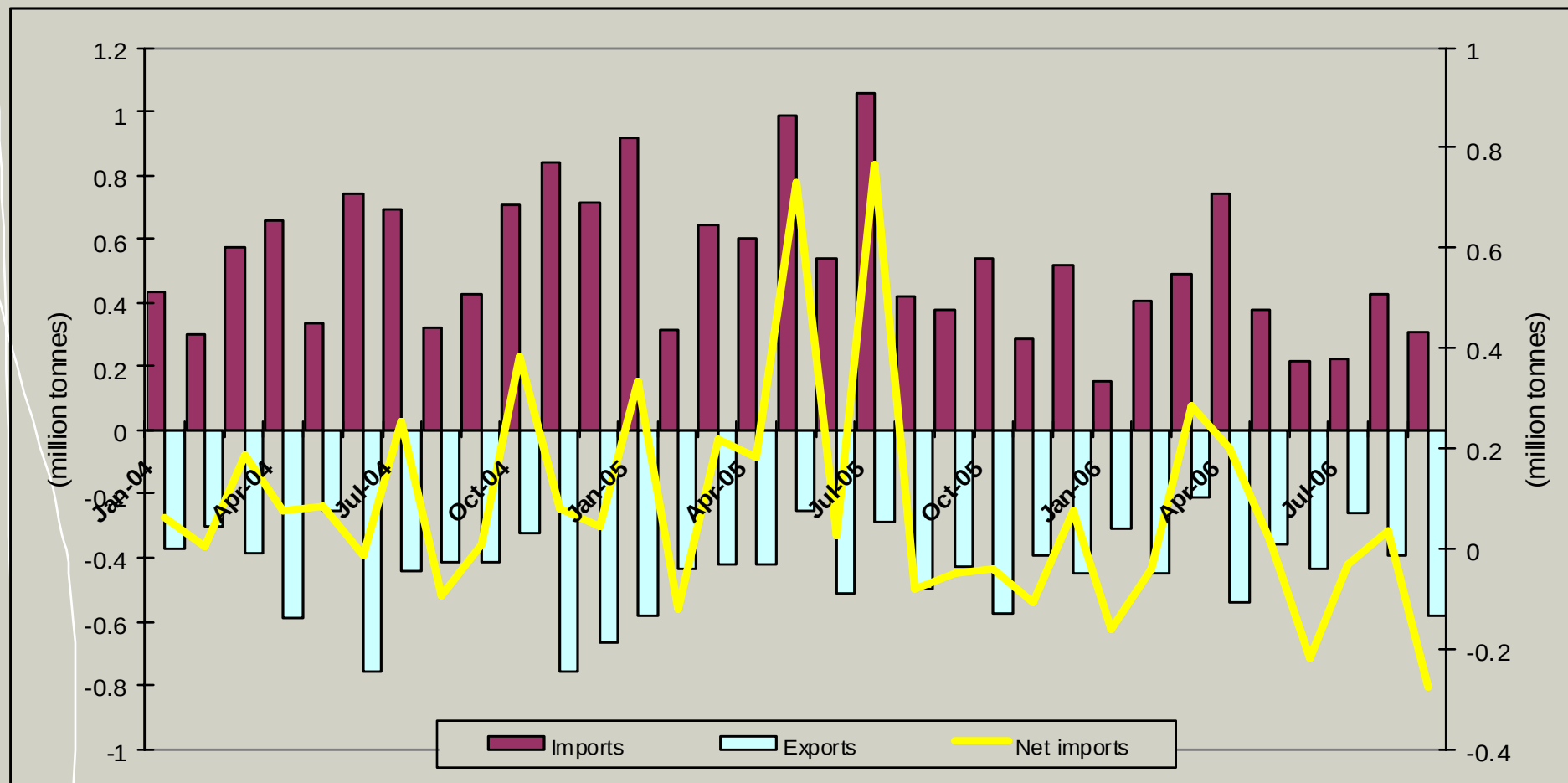
Source: China statistics, China market information, BMA

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And a reduction in Chinese coking coal imports

Chinese domestic coking coal production increases enabled strong demand to be met by internal supplies resulting in a drop in net imports of around 2 million tonnes YTD over 2005



Source: China customs statistics

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2007 steel outlook, more modest than 2006 but still for robust growth

2007 is forecast to see continued robust global growth, led by China, with India and other regions, this equates to a continued strong demand for seaborne iron ores and coking coals

	Million metric tonnes of finished steel			Change % per year	
	2005	2006e	2007f	05 – 06	06 - 07
EU (15)	139.4	150.0	147.7	7.6	-1.5
EU (25)	158.8	171.5	169.6	8.0	-1.1
Other Europe	29.3	32.1	34.0	9.5	6.0
CIS	43.5	46.5	50.9	7.0	9.4
NAFTA	139.7	151.8	150.8	8.7	-0.7
South America	32.3	36.0	38.6	11.6	7.1
Africa	22.4	24.6	25.7	10.0	4.4
Middle East	34.0	37.3	40.6	9.6	8.9
Japan	78.0	78.6	80.8	0.8	2.8
India	38.1	41.9	45.7	10.0	9.1
Rest of Asia (exc. China)	117.8	118.5	121.8	0.6	2.8
Australia + NZ	7.9	7.8	7.9	-1.6	1.3
World (exc. China)	701.8	746.7	766.4	6.4	2.6
China	327.0	374.0	413.0	14.4	10.4
World	1028.8	1120.7	1179.4	8.9	5.2

Seaborne Raw
Materials



Source: IISI

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Concluding remarks

- Steel output continued to grow strongly but with more balance than 2005
- Increases in pig iron demonstrate the China effect favouring iron ore
- Continued demand for iron ore from China has seen the market remain tight in 2006
- Current conditions in China are being maintained by higher cost supplies which are needed due to insufficient 'low cost' production
- Seaborne coking coal has been impacted by reduced Chinese imports and low coke prices, which are expected to rise as duties have been raised
- The outlook for 2007 is for continued strong/robust markets for seaborne raw materials

