Iron Ore: Industry Outlook

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Growth in China and India to sustain strong Iron Ore demand

A significant ramp up of supply is expected in next 5-10 years

Industry challenges will put pressure on supply delivery

Delivered supply will restore market balance

Competition between producers will focus on conventional factors such as product quality, reliability and cost position
China accounted for 88% of growth in global steel production in the last decade.

Historical global crude steel production (Mt)

- China (499)
- India (40)
- Other (26)

CAGR 5.2%

Source: BHP Billiton analysis.
China’s development underpinned by urbanisation and industrialisation

Photos Source: BHP Billiton.
Chinese Central and Western provinces are still in the early stage of development

China GDP per capita by province (2010 nominal) (US$)

- Above $10,000
- Between $5,000 and $10,000
- Between $3,000 and $5,000
- Below $3,000

China population by region 2010 (Million)

- Eastern Provinces (40%)
- Central / Western Provinces (60%)

Source: Global Insight, BHP Billiton analysis.
China’s economic transformation and expanding urban footprint spreading West

Xi’an in Shaanxi Province

Avg. Central and Western Province
GDP per capita ~US$3,000

Shanghai

Avg. Eastern Province
GDP per capita ~US$6,500

Note: GDP per capita (US$ 2010 nominal).
Source: Global Insight, BHP Billiton analysis. Photos Source: BHP Billiton.
China’s urbanisation and industrialisation trend expected to continue in longer term

China population breakdown in 2000-25 (Million)

- Urban population
- Rural population

CAGR 0.6%

1,267

CAGR 0.5%

1,348

1,448

% Urbanised

2000 36%
2009 46%
2025 64%


China’s GDP per capita 2000-2025 (USD/Capita, Real 2005 PPP)

CAGR 7.2%

US $55,600 (2025)

CAGR 9.9%

$19,301

$6,272

$2,695
**Development of India will also drive steel demand growth**

### Urbanisation of China (Million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Population (m)</th>
<th>% Urbanised</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1,142</td>
<td>22%</td>
</tr>
<tr>
<td>2005</td>
<td>1,307</td>
<td>43%</td>
</tr>
<tr>
<td>2025</td>
<td>1,448</td>
<td>64%</td>
</tr>
</tbody>
</table>

CAGR 4.1%

### Urbanisation of India (Million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Population (m)</th>
<th>% Urbanised</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>839</td>
<td>25%</td>
</tr>
<tr>
<td>2005</td>
<td>1,106</td>
<td>29%</td>
</tr>
<tr>
<td>2025</td>
<td>1,401</td>
<td>38%</td>
</tr>
</tbody>
</table>

CAGR 2.6%

India will grow at faster rates than China in the next 15 years, but from a lower base

Projected India and China finished steel demand growth (Mtpa)

Source: BHP Billiton analysis.
Asia will continue to be a substantial driver of steel production growth to 2025

Global crude steel production (Mt)

2,700
1,800
900
0

2000
Historical growth
2010
Forecast growth
2025

CAGR 5.2%
CAGR 3.7%

Other (26)
India (40)
China (499)

849
565
1,414
1,033
2,446

China (485)
India (136)
Other (412)

Source: BHP Billiton analysis.

AJM Conference, Tony Ottaviano, March 2011
New sources of supply expected to emerge

Total announced seaborne supply by region (%)

Note: Others includes India, Middle East, CIS, Europe-Other, Asia and New Zealand. Source: BHP Billiton analysis.
Historically delivered supply has not matched announcements

Total announced incremental seaborne supply in 2008 vs. actual incremental delivered (Mtpa)

- Announced supply (as of early 2008)
- Supply realised

Note: New Announced Supply based on BHP Billiton analysis as of early 2008.
Source: BHP Billiton analysis.

272Mt new capacity announced but not delivered
Looking forward, industry challenges will further impede delivery

**Total announced seaborne supply (Mtpa)**

- **Announced supply**
- **Analyst expectation**

### Industry challenges

- Rising capital and operational costs
- Skilled labour availability
- Operational complexity for multiple tie-ins
- Civil Infrastructure strain
- Country political risks

Conclusion

- Growth in China and India to sustain strong Iron Ore demand
- A significant ramp up of supply is expected in next 5-10 years
- Industry challenges will put pressure on supply delivery
- Delivered supply will restore market balance
- Competition between producers will focus on conventional factors such as product quality, reliability and cost position