

D E L T A E M D

**COMMENTS ON EMD MARKET
PRESENTATION – MASATOSHI YOSHIDA
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EMD MARKET

Current members of the IMnl predominantly supply battery manufacturers outside of China.

Historically growth in demand for EMD has been 4% to 6% p.a. – represents growth of 10,000 to 20,000 mt p.a.

The above growth would have justified the construction of a new plant of say 26,000mt capacity every two years.

US\$ prices remained stable at around US\$1600/mt over this period.

EMD MARKET

In the second half of 1999 through to mid 2000 demand in USA and Europe increased to 8%-10% p.a. as a result of excess demand driven by Y2K issues.

After that demand collapsed – no growth and world inventories of EMD increased from 48,000mt at the end of 2000 to around 78,000mt in 2002.

Prices have fallen to around US\$ 1300/mt in the USA and US\$ 1100/mt in Europe and Asia.

Prices continue to fall and demand from IMnI members is static due to Chinese EMD and batteries entering USA and Europe.

EMD MARKET

There has been a short term increase in demand in USA driven by terrorism fears and war in Iraq.

Demand is expected to fall in 2004 with forecast growth in demand estimated at 1% to 2%p.a.

Chinese producers are expected to increase sales of EMD and batteries into USA and Europe.

EMD producers outside China will experience growth of 0% to 1% p.a.

China has EMD capacity of 100,000 to 110,000mt p.a.

All producers outside China running at reduced capacity.

EMD MARKET

Delta EMD has 11,000 mt expansion which will be available for production mid 2003 but is unlikely to be commissioned due to current poor market conditions.

There will be significant rationalization over the next three years with higher cost producers outside of China closing down.

Greenfield EMD investments outside of China will not be viable at current market prices.