



# Mn Industry Consolidation



## Trends & Implications

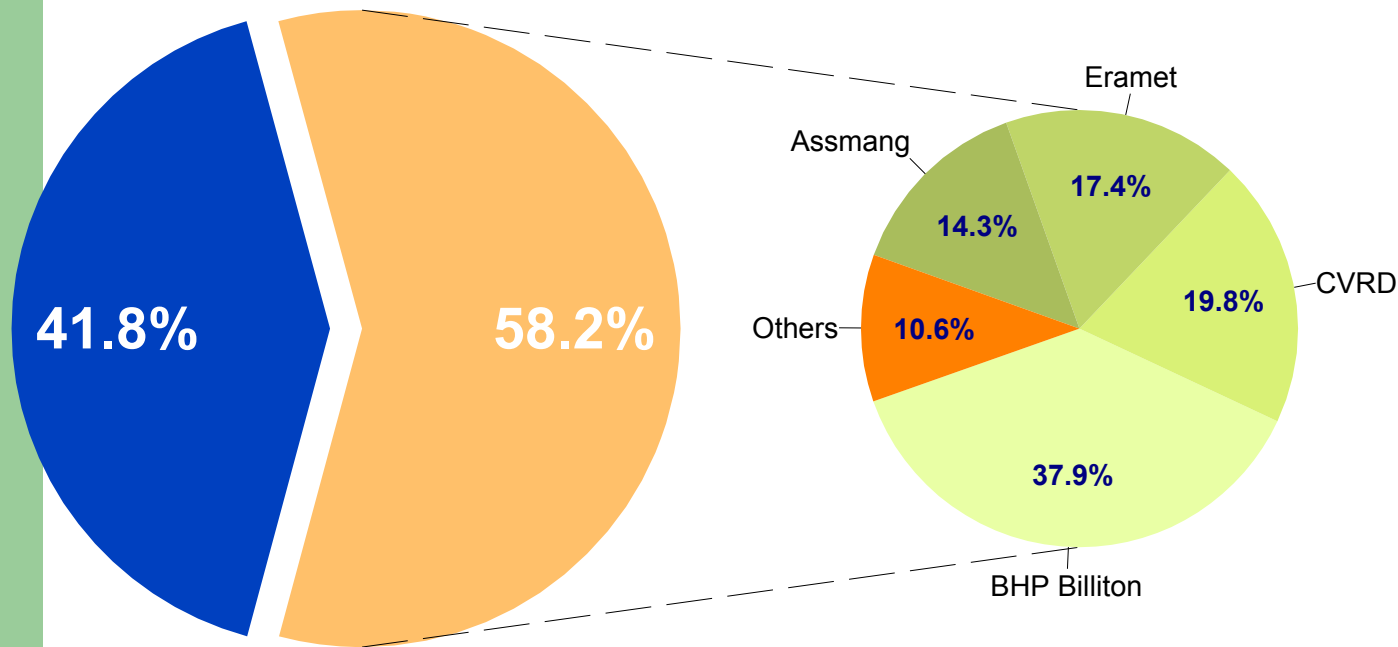
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International Manganese Institute  
Annual Conference  
Shanghai, June 7, 2002

# Background

- Late nineties and new millenium: True consolidation of the manganese industry
- Few multinational groups began to control most of world supply
- **CONSOLIDATION:** “The merger of two or more commercial interests or corporations”

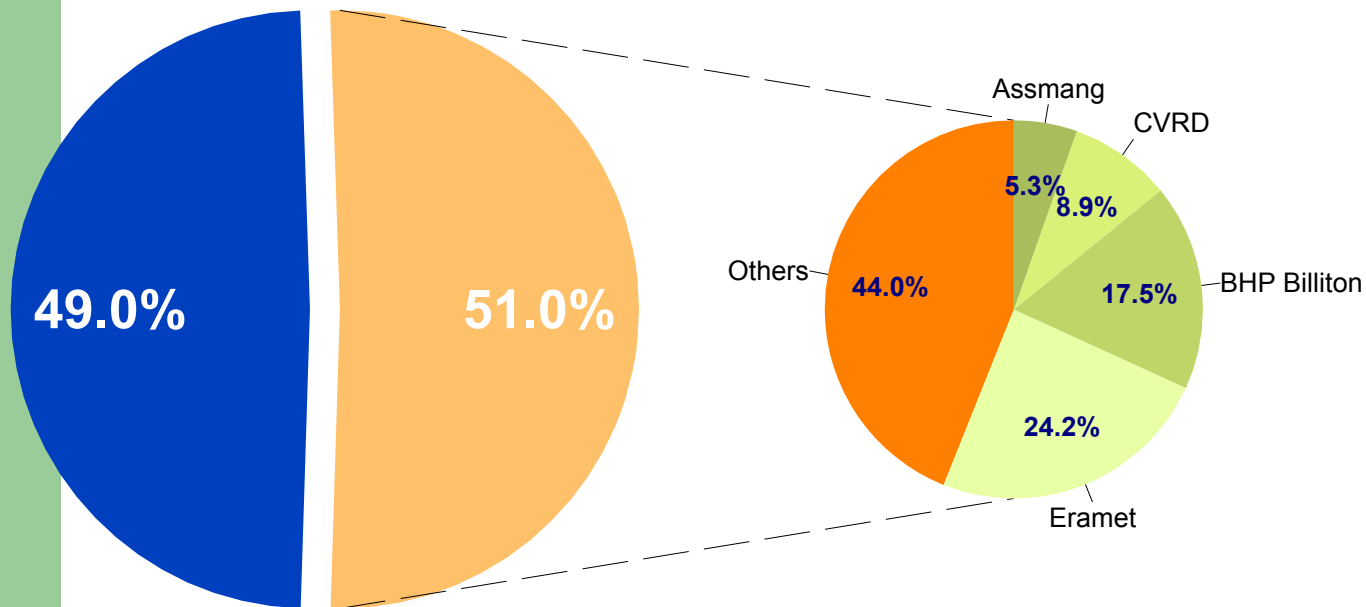
## Mn Sectors: CONSOLIDATED COMPANIES



**Manganese Ore Output:**  
4 groups account for about 90% high grade resources

High Grade Other Grades

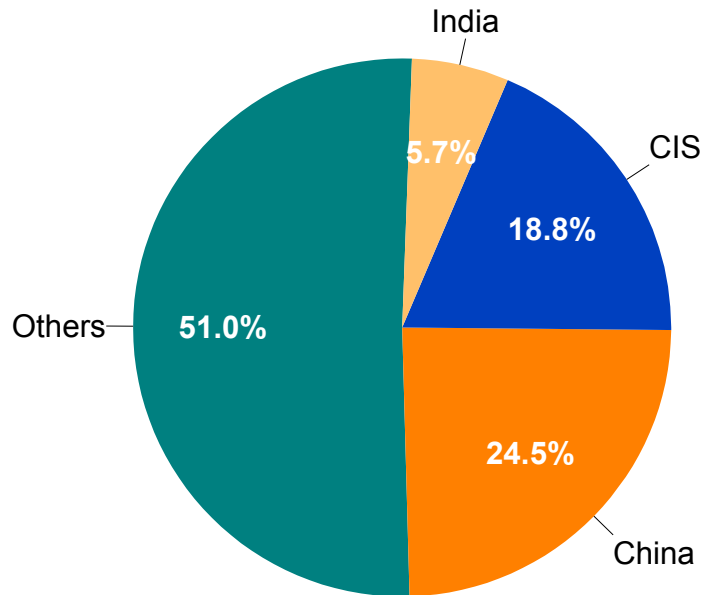
## Mn Sectors: CONSOLIDATED COMPANIES



**Manganese Alloys Output: 4 groups account for about 56% western production**

■ Western Economy Players, except India ■ India, China, CIS

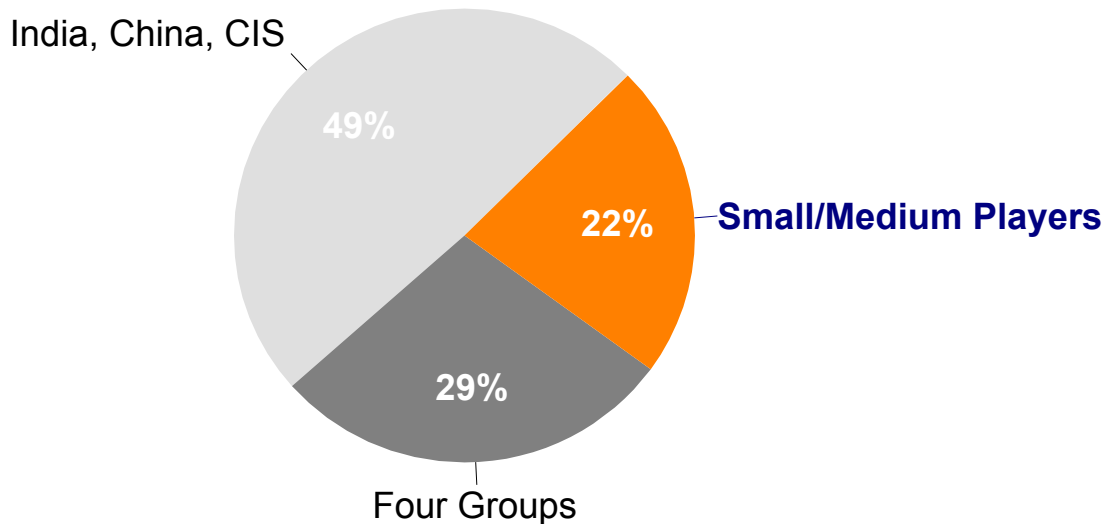
## Mn Sectors: OTHER MAIN PLAYERS



**China, India and CIS  
Account for about 50%  
total world manganese  
alloys production**

**Except India, they largely depend  
upon the western high grade ore**

## Mn Sectors: SMALL/MEDIUM PLAYERS



**Only 22% Mn alloy production is in hands of small-medium producers**

**They also depend upon the supply of high grade Mn ore and do not have great influence on markets**

# Factors of CONSOLIDATION

- Globalisation
- Deregulation
- Strategic Mergers and Acquisitions
- Technology and markets

# Globalisation / Deregulation

- Globalisation provides the economic scenario for consolidation
  - Demolition of barriers between countries
  - Integration of nations, etc
- Deregulation is also necessary and is quite linked to globalisation





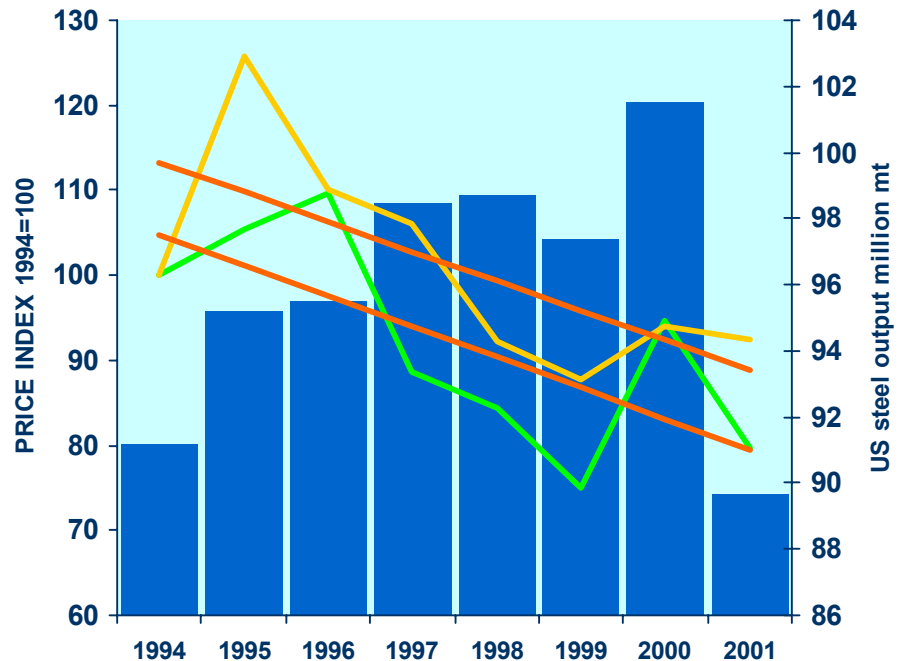
# Strategic issues/Technology

- Consolidation has been largely attributed to “strategic reasons”
  - Boost market share
  - Seek growth opportunities
  - Seek more value to shareholders
  - Use of own manganese ore
- Consolidation has enabled companies to acquire quickly technology, market share, etc.

# Trends and Implications

- In theory, consolidation should promote the creation of a stable manganese industry, with no or little volatility in either supply or prices but the actual results are quite different

A sharp contrast  
of the fortunes of  
Mn alloy prices  
and Steel  
production in USA

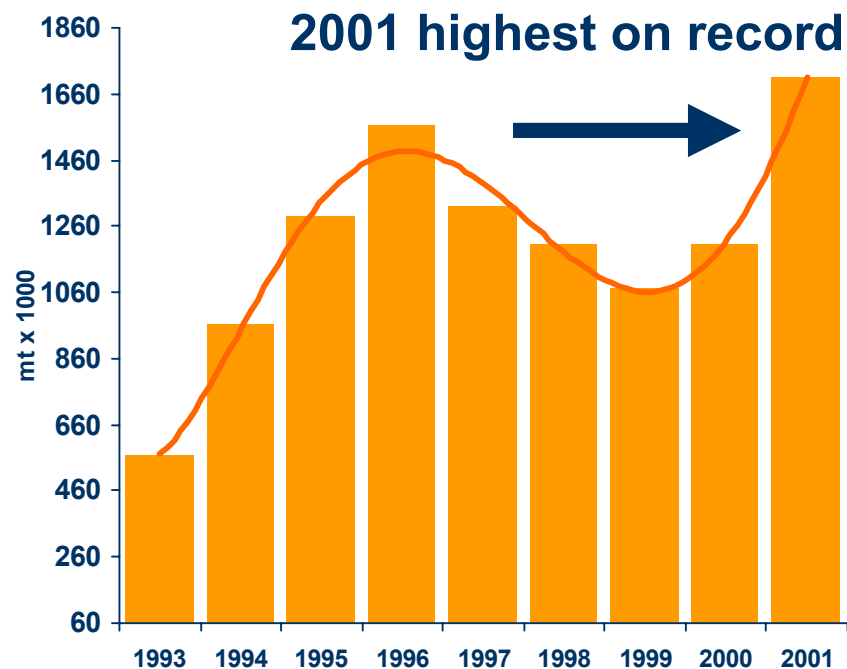
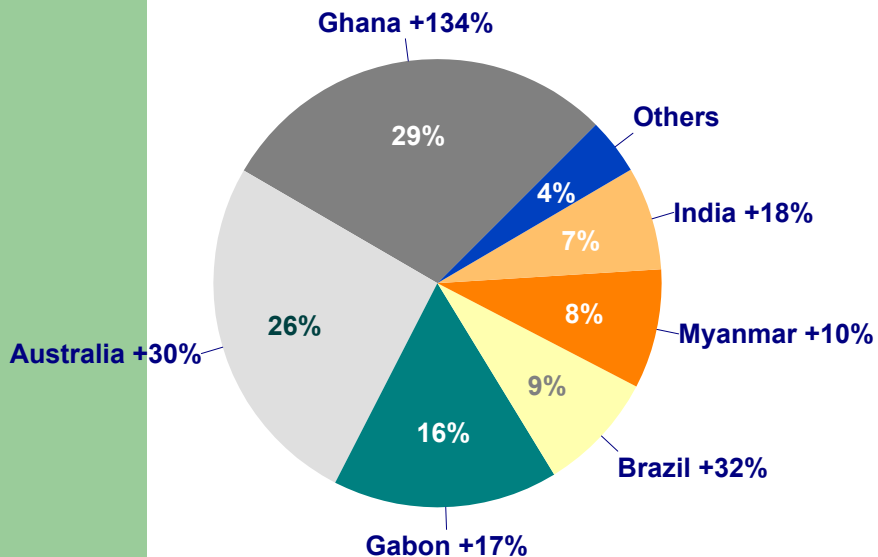


■ US Steel output — \$ MC FeMn — \$ SiMn

# Oversupply

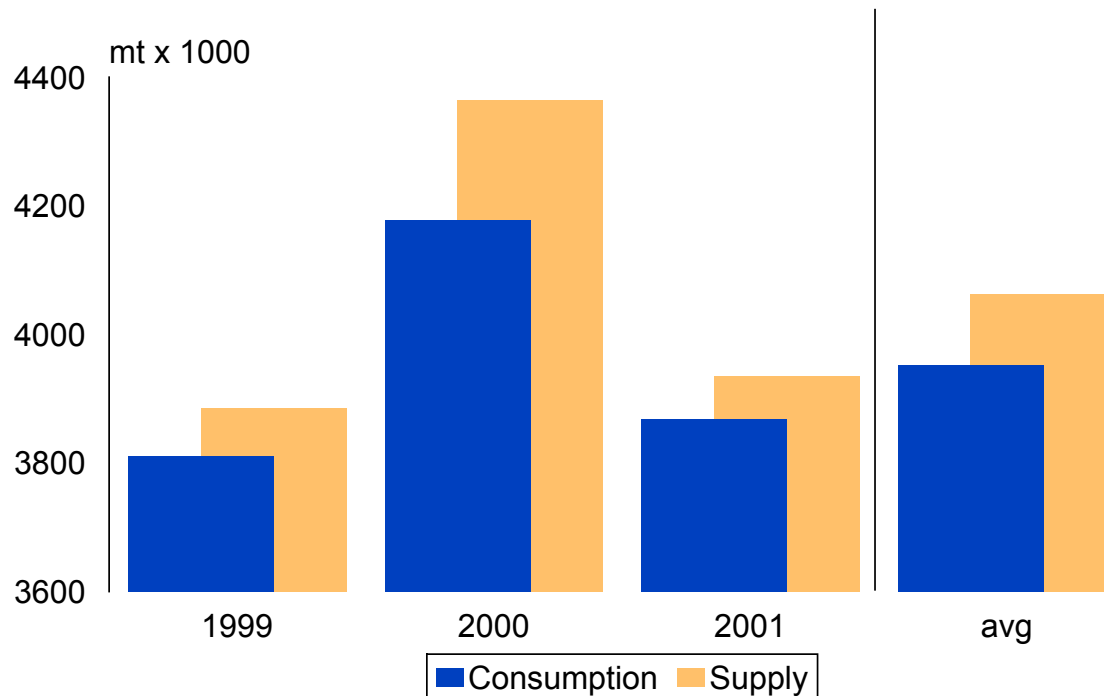
## China's Imports of Mn Ore = More Ferroalloys

2001 Breakdown by source and "year-on-year" increase



# Oversupply

## Mn Alloy Supply-Demand Balance

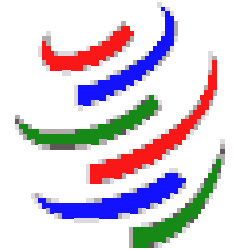


# Unreasonable Competition

- Steel industry is the main beneficiary of unreasonable competition among manganese ferroalloy players
- Gaining market share at all costs will not deliver positive results in the medium term

# Unreasonable Competition

- Oversupply and aggressive competition are matters of great concern
- In the long run, many producers might disappear and supply and prices could dramatically change
- This may even harm consumers, and damage the image of our industry
- Manganese players should do their best to reduce excess capacity and avoid price wars.

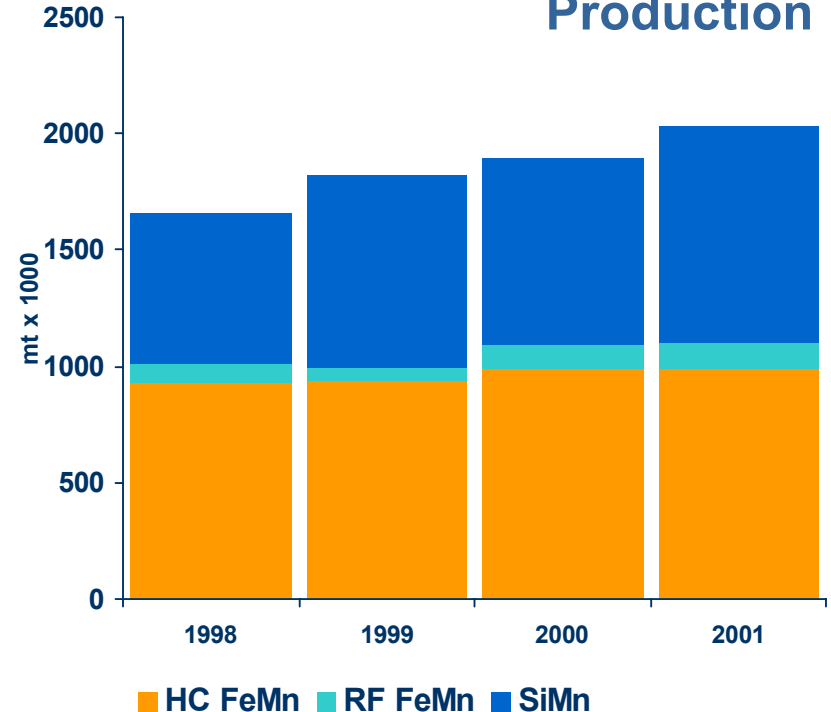


- Accession of Mainland China to the WTO
  - November 2001
  - A significant step forward
- Transition years to become a market economy
  - The commitment of China is laudatory
  - We will be carefully following the progress

## Structure Adjustment

- No further expansion of production volume
  - Elimination of Backward facilities
  - Pollution control
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- We trust that this plan is implemented

### China's Manganese Alloy Production

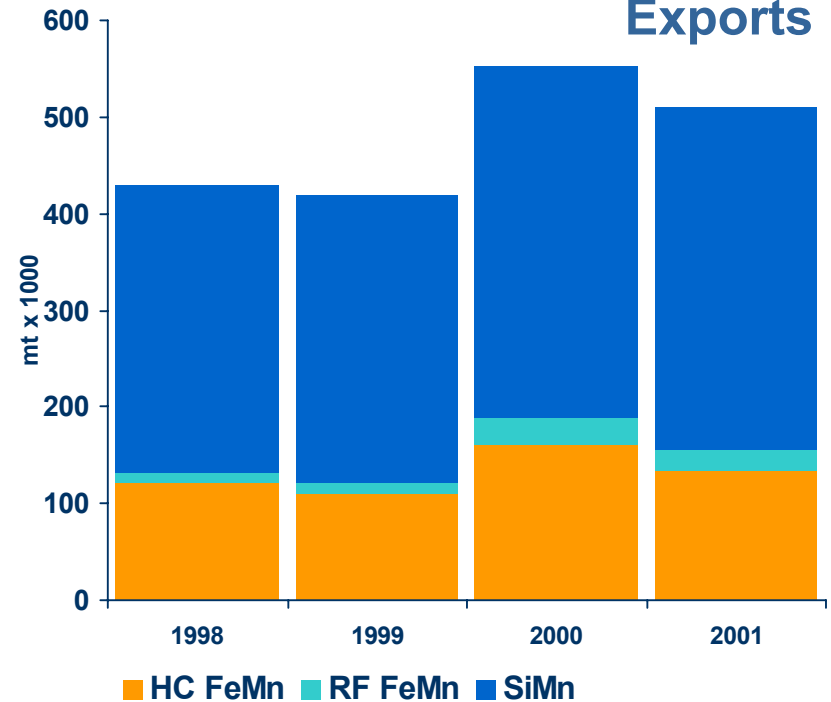




## Trade & Dumping

- **China is aware of the role it has played in the dumping suits against its exports**
- **Insofar China controls its production and export volumes and prices, the world will be able to overcome this state, and evolve to a fair and innovative competition**

### China's Manganese Alloy Exports



# Conclusion

- **Consolidation has still the commitment to rendering its positive fruits, since the manganese industry is not a stable one yet.**
- **Oversupply and unreasonable competition are the most important challenges to overcome**
- **China has stated its commitment to becoming a market economy and recognised its weak spots**
- **Consolidated companies are required to help China achieve its purposes**