

# SYDNEY STEEL MILL BUSINESS OVERVIEW



# Safety is a Core Value

## Your Safety is Important to us!

- Your safety whilst you are our guests is our highest priority.
- Wearing Personal Protective Equipment (PPE) – including safety helmets, safety glasses, dust coats and adequate footwear is MANDATORY.
- When visiting Plant Departments always stay within the designated walkways.
- To ensure your visit remains on schedule and is conducted safely, please always remain with the group, your guide or departmental hosts.

# Agenda

## **Our Business**

- Production Process & Facilities
- Products
- Plant Operations

## **Our Current Position**

- Key Drivers
- Performance
- Sydney Steel Mills' Competitive Advantage

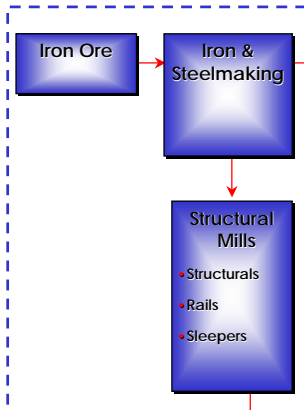
## **Summary**

## **Plant Tour**

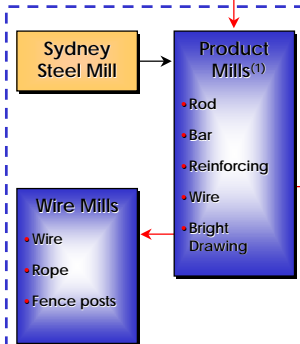
# Sydney Steel Mill's Position in OneSteel

OneSteel

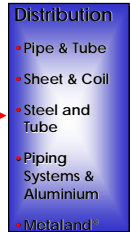
## WHYALLA STEELWORKS



## MARKET MILLS



## DISTRIBUTION



# Comparison of EAF and Integrated Steelmaking

## EAF – Sydney

- ↪ Commercial steels
- ↪ Unit cost relatively volume insensitive
- ↪ Billets
- ↪ Designed to operate with variable output

## Integrated – Whyalla

- ↪ Commercial and special steels
- ↪ Unit cost volume sensitive
- ↪ Billets, Blooms and Slabs
- ↪ Designed to operate at capacity

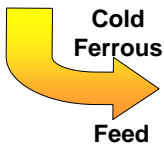
# Sydney Steel Mill Production Process

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Sydney Melt Shop

Sydney Rolling Mill



Newcastle  
Rolling Mills

## Key Facilities

### Melt Shop

Commissioned 1992 – 250,000T  
 Upgraded Licence 1994 – 525,000T  
 Extension to Licence 2005 – 550,000T

- ↻ Scrap Bay (18kT)
- ↻ 80 Tonne AC Electric Arc Furnace (EAF)
- ↻ Ladle Metallurgy Furnace (LMF)
- ↻ Continuous Billet Caster – 4 strand
- ↻ Billet Yard

### Rolling Mill

Commissioned 1994 – 250,000T  
 Increased Throughput – 320,000T

- ↻ Reheat Furnace
  - Walking Hearth
  - Natural Gas Fired
- ↻ Hot Rolling Mill – 16 stands (no twist mill)
- ↻ Finishing End with Stacker
- ↻ Warehouse

### Ancillary Plant

- ↻ Bag Filtration House
- ↻ Water Treatment Plant
- ↻ Material Handling Plant
- ↻ Slag Processing Plant

# Sydney Steel Mill Products

Product	Destination	End Use
Billet 	Newcastle Bar Mill Newcastle Rod Mill Sydney Bar Mill	Reinforced products (e.g. buildings), manufacturing, posts, machinery for rural construction and mining
Sydney Bar Mill 	Intra Market Mills business unit, Steel Distribution Companies, Direct to end user	Reinforced products (e.g. buildings), manufacturing, mining and rural markets



## OUR PRODUCTS



# Key Production Outputs

## Melt Shop (tonnes)

2004/2005 output:	535,000
Capable output:	550,000
Operating Licence:	550,000

## Rolling Mill (tonnes)

2004/2005 output:	284,000
Capable output:	320,000
Capacity:	275,000 – 340,000*

\*dependent on product mix

# Sydney Steel Mill Key Drivers

- ↪ **Safety – Goal Zero**
- ↪ **Customer service and satisfaction**
- ↪ **Provide flexibility to the market**
- ↪ **Operational Excellence**
  - Low cost billet production
  - Low conversion cost bar mill
- ↪ **Billet Production to OneSteel plan**

# Safety



## **209 Days LTI free period**



## **Dupont Benchmarking and Philosophy**

Process Safety and Risk Management (PSRM) completed.  
 SQRA (Semi Quantitative Risk Assessments) initiated to investigate high consequence low frequency risks.



## **Safety Observations**

Involve all employees improvements in quality and corrective action



## **Risk Reduction**

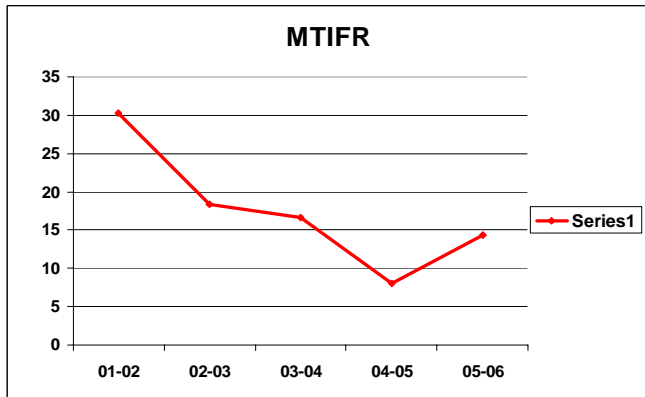
OH&S committees actively involved in developing Top 10 Risks



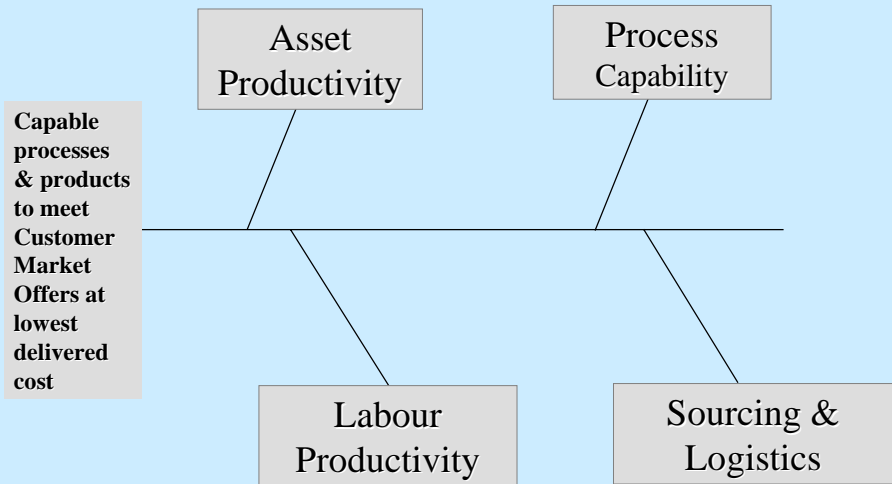
## **Involvement of Employees**

OH&S Committee development and benchmarking  
 Near Miss Reporting  
 Health program

## Safety



# Operational Excellence



# Plant Operations

## Melt Shop

- ↗ Produces 127mm sq billets in various grades for applications in
  - Reinforcing bar
  - Structural steels
  - Mine roof support systems
  - Rural
  - Wire
- ↗ 503,000 tonnes actual in 2004
- ↗ 535,000 tonnes actual in 2005
- ↗ 477,000 tonnes forecast for 2006
- ↗ 473,000 tonnes budget for 2007

## Rolling Mill

- ↗ 127 billet feed
- ↗ Hot rolled Reinforcing Bar, Angles, Flats, Rounds, Fence Posts, Threaded Bar totalling 180 sections using 24 x 7 12hr shift pattern
- ↗ 254,000 tonnes actual in 2004
- ↗ 284,000 tonnes actual in 2005
- ↗ 260,000\* tonnes forecast for 2006
  - \* 40,000t transferred to NBM
- ↗ 259,000 tonnes budget for 2007

# Sydney Melt Shop

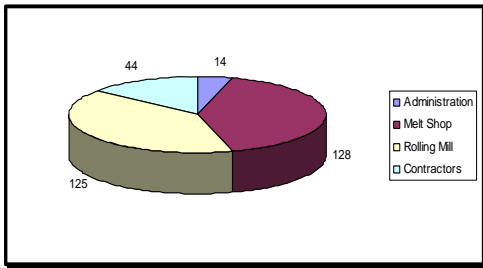
- ↪ **Production**
  - ↪ **Quick Response to Change in Market Condition**
- ↪ **Reliability/Predictability**
  - ↪ **Improving Process Capability**
  - ↪ **Process Control**
  - ↪ **Improved Consistency of Product**
  - ↪ **Improved Asset Utilisation to increase Throughput**
- ↪ **Reduction in Conversion Cost**
- ↪ **Onesteel inventory level reductions**



# Sydney Bar Mill

- ↪ Reliability/Predictability
  - ↪ Customer delivery performance
  - ↪ Innovating around new market potential
- ↪ Maximise Throughput
  - ↪ Developing Capability – Increase from 70 to 180 sections
  - ↪ Transfer of Sections from Newcastle Bar Mill  
(40 Sections)
- ↪ Reduced conversion costs
  - ↪ Warm Charging
    - ↪ Increased Throughput
    - ↪ Increased Energy Efficiency
  - ↪ Reduction in Section Setup Times

## Our People



### Our Employees

- 267 Full Time Employees
- ?? Equivalent Full Time Contractors
- Additional Contractors used as required

# Sydney Steel Mill's Competitive Advantage

- ↗ **Strong geographic location to market and suppliers**
- ↗ **Quick Ability to react to market changes**
  
- ↗ **Highly skilled and flexible workforce**
- ↗ **Lean Workforce**
- ↗ **Lean support staff**
- ↗ **Strong relationships with employees**
- ↗ **A good Enterprise Bargaining Agreement**
  
- ↗ **Modern facilities**
- ↗ **Flex product make to lowest cost outcome**
- ↗ **Good access to Distribution and Sales Outlets**
- ↗ **Can increase the output within market to 550K billets and 300K m-bar**
  
- ↗ **Environmentally sound**
- ↗ **Strong Management Systems – i.e ISO 9001, ISO 14001, NATA**
  - ↗ **Continuous Improvement of processes**

# Summary

- ↻ **Continued focus on Safety – Goal Zero**
- ↻ **Increase Focus on Customer and understanding of Market Requirements**
- ↻ **Opportunity gains through Supply Chain Benefits across the business**
- ↻ **SSM Run Strategically**
  - ↻ **Meltshop responds in a flexible manner to market demand**
  - ↻ **Bar Mill focusing to maximise on throughput and lowest cost of manufacture**
- ↻ **Operational Excellence**

# OneSteel Distribution

4 April 2006

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# Agenda

- Site Safety
- SAP Update
- Distribution Overview
- Steel & Tube

# Site Safety

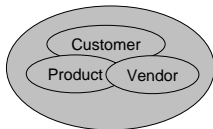
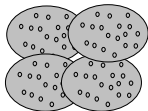
<b>Personal Protection (Visitors)</b>	<b>Enclosed shoes Eye protection Safety helmet Hearing protection Long sleeved vest</b>
<b>Green Walkways</b>	<b>Visitor access</b>
<b>Red Walkways</b>	<b>Authorised personnel</b>
<b>Emergency Warning</b>	<b>Prolonged siren</b>
<b>Area Wardens</b>	<b>Yellow helmets</b>
<b>Assembly Area</b>	<b>Lawn area in front of office</b>

# OneSteel : SAP Programme

- OneSteel Distribution commenced the implementation of SAP (4.6C) as a part of a OneSteel wide initiative : Project Jericho. Commenced December 2001, completed Dec 2005.
- Platform for the future : a significant investment in a OneSteel system, suitable as a base to replace other at risk systems over time and to enable systems integration in the vertical supply chain.
- Provides Sales, Distribution, Warehouse and Planning functionality across the Distribution businesses (except Pipe & Tube) and OneSteel Wire Products.
- Rod and Bar Products, Wire Products and OneSteel Distribution use SAP for “backoffice” functions.
- The system currently covers 1800 Distribution users and 1220 Market Mills users across 131 sites.



# OneSteel : SAP Rationale



## For Distribution, prior to SAP:

- Customer's, products and vendors managed at site level.
- Designed to optimise site operations
- Minimal capability to link business processes
- Flexible & undisciplined
- A great selling tool
- Information locked in system silos.

## For Distribution, after SAP:

- Customer's, products and vendors managed at a OneSteel/Distribution level.
- Sales order visibility & status
- Margin on each sale at order entry
- Advanced inventory planning (MRP)
- Designed for central management processes
- Planned integration with integrated upstream processes such as demand planning.

**Previous systems were site focused :**

**SAP provides Enterprise wide management capability, resulting in increased customer service while delivering improved OneSteel results.**

# OneSteel Distribution : SAP Benefits

## **Customer Service**

- Customer order status and traceability through an integrated system
- Improved product visibility through consolidation onto one platform
- Application of national pricing allowing timely flow on of correct costs back to the market
- Better warehouse controls through implementation of Mobile Data Entry.

## **Improved business performance**

- Improved margin control process through visibility within Sales Order Entry
- Decisions based on facts through greater management access to information in areas such as processing, product profitability, inventory
- Shared services in Finance and Information Systems.

**Early days for OneSteel and Distribution wide benefit delivery  
(Project completed Dec 2005)**

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# OneSteel Distribution

OneSteel  
Whyalla

OneSteel  
Market Mills

OneSteel  
Distribution

Steel & Tube  
New Zealand

- Sales Approx \$1.8bn
- People 2,467
- Businesses
  - Pipe & Tube Manufacturing
  - Steel & Tube Distribution
  - Sheet, Coil & Aluminium
  - Piping Systems
  - Metaland
  - Midalia Steel

# OneSteel Distribution - Financials

	03 full	04 full	05 full	06 half
Sales (\$million)	1322	1520	1770	923
Tonnes ('000s)	864	980	1010	485
EBITDA \$	120	130	164	76
EBIT \$	97	107	141	65
Margin %	7.4%	7.0%	7.9%	7.0%
Funds \$	589	635	643	663
ROFE %	12.1%	13.2%	16.7%	14.5%
People	2286	2391	2476	2467

# OneSteel Distribution

	Steel & Tube	SCA	Piping Systems	Pipe & Tube	Metaland
Sales	\$480m	\$425m	\$180m	\$400m	\$525
Facilities	15	14	14	5	96*
People**	450	340	250	550	600

\* Includes 47 franchises

\*\* Permanent only

# Market Conditions

- **RESOURCES**

- Demand remains strong in mining and mineral processing. Coal, Iron, Nickel and Aluminium all yielding healthy demand and pushing infrastructure eg ports, rail cars etc. Mainly in QLD and WA.
- Oil and gas sector growing with capacity upgrades and pipeline activity.

- **ENGINEERING CONSTRUCTION**

- Driven by strong resources sector, outlook remains positive

- **RESIDENTIAL CONSTRUCTION**

- Flat market with NSW decline offsetting some growth in other states.

# Market Conditions

- **NON RESIDENTIAL CONSTRUCTION**
  - Activity remains healthy (shopping centres, freeways, DC's etc)
- **AUTOMOTIVE**
  - Market contraction with slower sales and imported componentry
- **OTHER MANUFACTURING**
  - Sluggish. Strong \$ has not helped
- **STATES**
  - NSW slow due to residential and no major projects. VIC and SA tough with auto and other manufacturing. QLD and WA strong with resources led growth

# Growth Programs

- Teams working on industry programs across OneSteel. Resources, Oil and Gas teams. Resources up and running, construction concepts in model testing.
- Retail strategy. 4 outlets on East Coast, 3 more in DA stage. Expect by mid year. Build on Midalia model.
- Product range diversification continues. Stainless steel and aluminium growing. Valves and fittings in Piping Systems also in growth. Looking for breadth through channel.
- Movement up in customer satisfaction levels. Combination of surveys, SAP system tools and customer core value initiative.



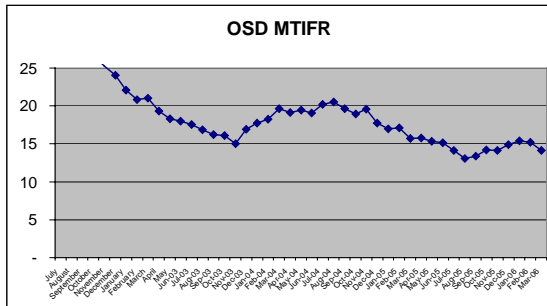
# Operational Programs

## Supply Chain

- Group study underway to optimise
- Focus on short term inventory levels in all business units.

## Safety

- Progress levelled. Need to reinvigorate efforts
- New programs around load restraint, forklifts



14.13

- Operational Excellence** - Modelling underway in Steel & Tube as well as Sheet, Coil & Aluminium on “DCs of the future”

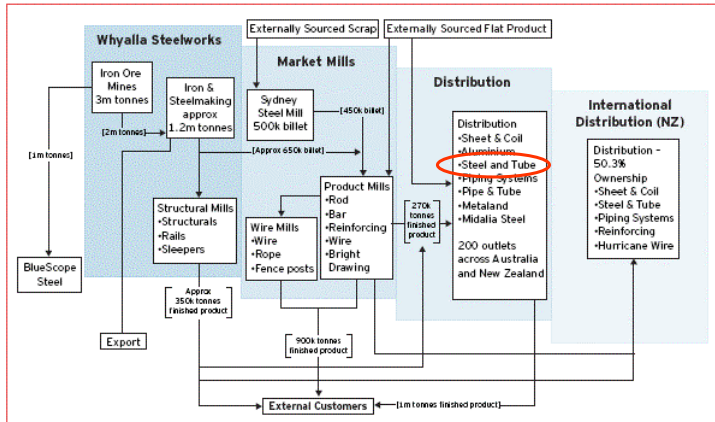


## OneSteel – Steel & Tube

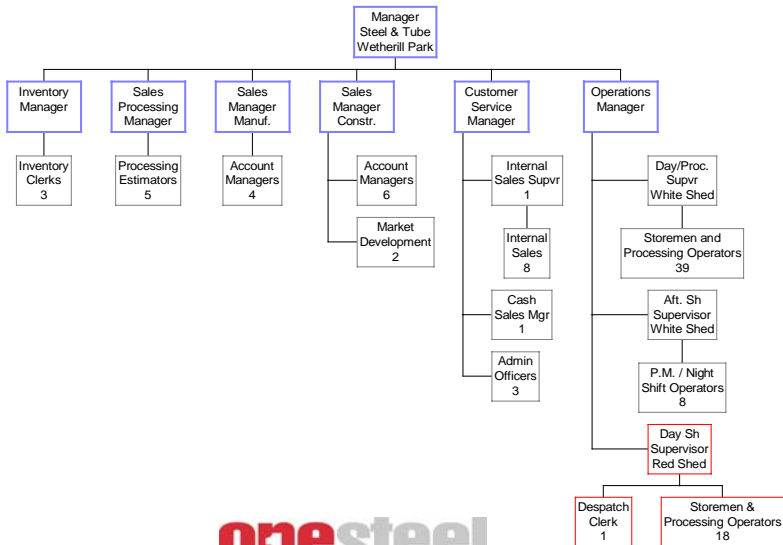
A Division of OneSteel Distribution

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# Steel & Tube in OST



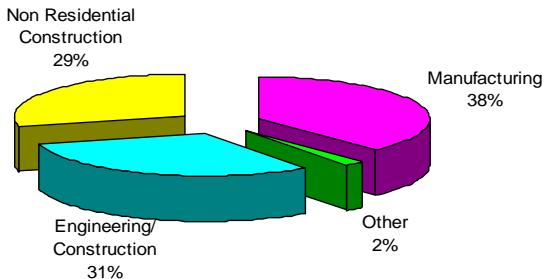
# S&T Structure



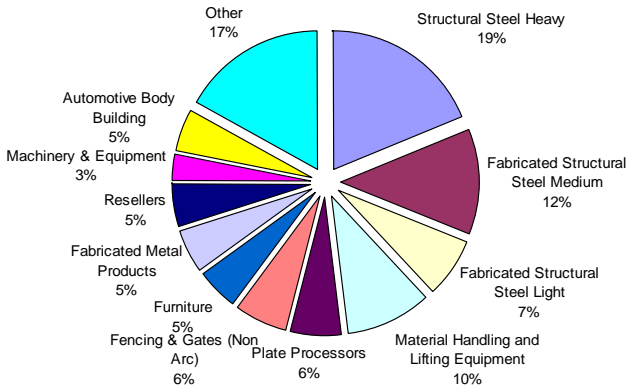
# Site Summary

	RED	WHITE
Personnel	20 Operations	89 50 Operations 39 Sales/Admin
Warehouse Space	12,500 square metres (7,900 square metres used for Steel & Tube)	20,000 square metres
Materials Handling Equipment	6 Cranes 3 Forklifts	16 Cranes 2 Forklifts
Handles 550 tonnes per day combined : Sales / Goods Inwards / Transfers		
Distribution Fleet	7 Trucks	14 Trucks
Processing Equipment	3 Saws	2 Beamlines 3 Profile Cutters 2 Bandsaws 2 Hacksaws
Processing Tonnes Combined	16,935 Tonnes	= 26% of total sales
Stock	2,500 tonnes	10,000 tonnes

# Market Segments



# Customer Base Segments



**TOTAL CUSTOMERS – APPROXIMATELY 1000**