

Market Mills Presentation

7 June 2006

onesteel

Safety is a Core Value

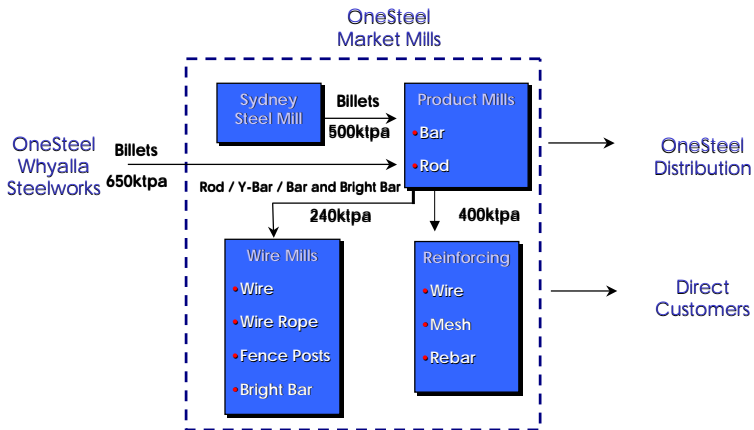
Your Safety is Vital to us!

- Your safety whilst you are our guests is our highest priority.
- Wearing Personal Protective Equipment (PPE) – including safety helmets, safety glasses, High visibility vest, long sleeved shirt, enclosed footwear, hearing protection is MANDATORY.
(You will also be required to carry gloves whilst at the Rod Mill).
- To ensure your visit remains on schedule and is conducted safely, please always remain with your guide or other departmental hosts.
- Please stay on designated walkways - only leave a designated walkway under the express instruction from your guide

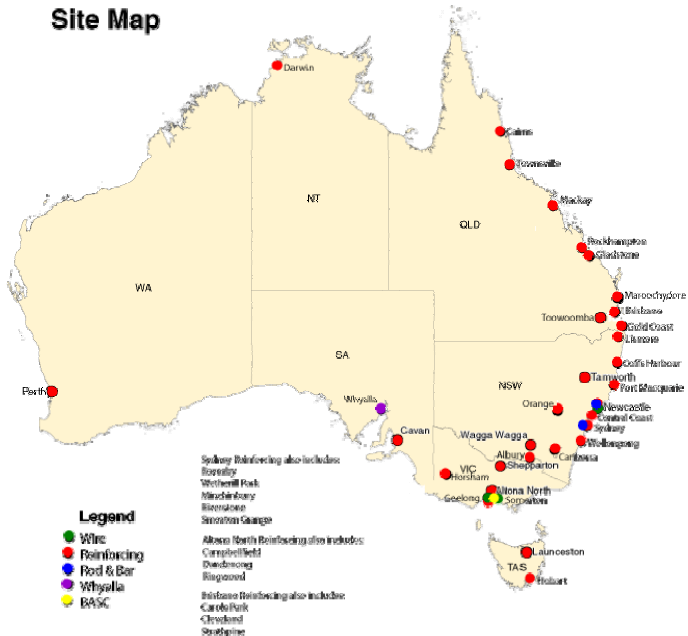
Agenda

- ❖ Market Mills Business Overview
- ❖ Operational and Strategic Objectives
- ❖ Current Market Issues
- ❖ Key Market Mills Initiatives
- ❖ Attachments
 - Market Mills Safety
 - Market Segments
- ❖ Plant Tours
 - Rod Mill
 - Wire Mill
 - Fence Post Plant

Market Mills Position in OneSteel

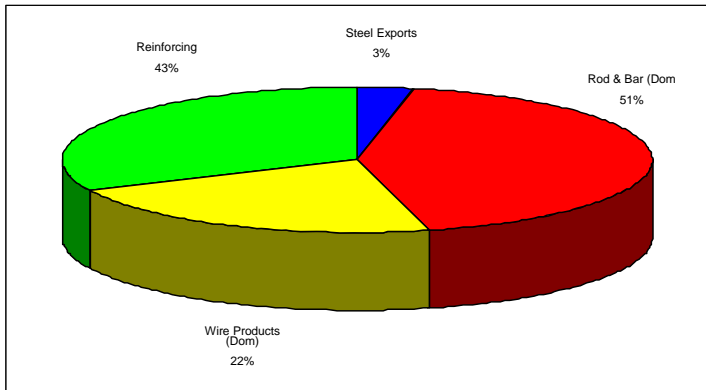


OneSteel Market Mills Site Map



Market Mills Snapshot

Market Mills' Projected Sales Revenue by Product Category



Projected - 12 months ended 30 June 2005

Market Mills – Top 10 External Customers by Revenue

1. Delta PLC
2. Neumann Steel
3. Landmark
4. Smorgon Steel
5. Ruralco holdings
6. Elders
7. Wire Industries
8. Bekaert Australia
9. Meriton Apartments
10. BM Alliance Coal Operations

Market Mills – Achievements in Last 12 Months

Safety

- LTIFR reduced from 1.7 to 0.9

Market and Customer

- Successfully completed M7
- Awarded Connect East contract
- Onesteel Reinforcing awarded safety prize for alliance partner/supplier category for Bovis Lend Lease NSW
- Onesteel Wire Rural Co Supplier of the year for Marketing and in addition Product Quality
- Onesteel Wire awarded Landmark National Supplier of the Year for general products
- Successful integration of Reinforcing into MM
- DIFOT improved by 6%

Achievements in Last 12 Months cont'd

Working Capital

- Inventory reduced by 3 stock weeks
- Debtors improved by 4 days

Operations

- Increased licence at SSM to 550Ktpa allowing greater opportunities to meet demand and/or profitable slab sales
- Reduced headcount by 100 people
- Total R&M has reduced by 2%
- Overtime reduced by 14% whilst volume up 3.5%
- Improved capital project management through engineering alliance

Market Mills – Operational and Strategic Objectives

Operational Objectives

- Improved safety performance YOY by 30%
- Margin and share management
- Improve DIFOT from 91% to 95%
- Reduce inventory by 1 stock week
- Lower conversion costs 2% real YOY
- Secure SSM licence at => 600Ktpa
- Expand facilities to match construction market demand

Strategic Objectives

- Customer and Market Insight
- Supply Chain
- Operations Excellence

Market Mills – Market Conditions

Overall market demand to remain at similar levels over the next five years:

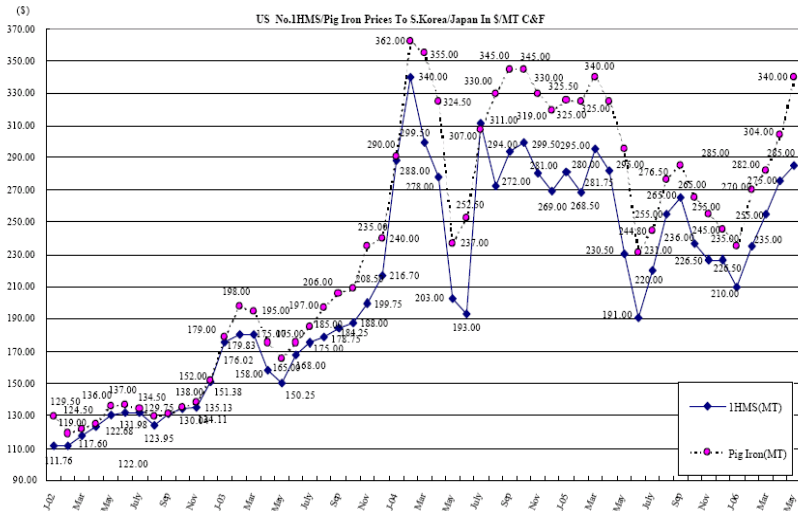
- Improvement in residential construction.**
- Mining output continuing to remain strong from the 2006 base.**
- Manufacturing and automotive value add to continue to decline.**
- Non residential steady from a strong 2006 – 2008 period.**
- Improvement in agriculture.**

International Environment Scrap Demand & Prices

Scrap consumption is expected to grow

- ◆ Over the next few years a significant expansion in scrap consumption is forecast.
- ◆ Post-2007 scrap prices dependant upon global trade in scrap, which based on an increase in consumption will support prices for scrap and steel.
- ◆ Recovery rates will need a significant upward trend to match demand.
- ◆ Historically scrap has tracked at an average of US\$135/t. (10 yrs to Dec 04).
- ◆ International long products steel pricing has been directly related to scrap, and this is expected to continue as the majority of long products in SE Asia are produced by EAF's.
- ◆ *Scrap prices to remain around US\$85/t higher than historical levels.*

International Scrap Price Movements



Source: Tex Report – 17 February 2006

Price Increases

Segment	Price Movement	Timing	Comments
Mebar	4.9%	May 06	This price increase is in line with global price movements heavily influenced by rising raw material costs, fuel, and labour
Rebar	7.7%	Jul 06	Alignment with global movement and recovery of raw material cost increases
Rod for Mesh	9%	Jul 06	As above
Wire Rural	Wire 3% Posts 7%	August 05	Market conditions non conducive to price growth after strong growth in preceding years – holding price in a very subdued and competitive market
Wire Manufacturing	Heavy Gal 7% Standard Gal 4% Other 3%	May 06	Price rise implemented due to raw material input costs rise. Galvanises product price increase heavily influenced by dramatic increase in Zinc cost
Reinforcing Bar	6%	Jun 06	
Reinforcing Mesh	6%	Jun 06	

Customer and Market Insight

Where have we come from ?

- ❖ No 1 or No 2 in all key markets we participate in this provides a position and scale to leverage off.
- ❖ Breadth of product range that is unmatched
- ❖ Depth in channel to Market
- ❖ Strong historical alignment to products. This may not be the case as we move forward

Where are we taking the business in regards customers and markets ?

- ❖ Our position in market means we are best positioned to
 - Understand customer & market drivers, develop insight
 - Create value for our customers
- ❖ Working through segmenting the market to build customised solutions.
- ❖ Leverage OST market position to influence market

Supply Chain

Market Mills is integral to the OneSteel “billet” supply chain – realigned in July’05:- Rod & Bar / Wire / Reinforcing

Key focus areas – building capability in:

- ❖ demand forecasting process and accuracy
- ❖ integrated Sales & Operations Planning process (Whyalla / Distribution)
- ❖ adherence to plan
- ❖ inventory efficiency – reduced stock weeks

Objectives:

- ❖ **meeting our promise to customers** – improving DIFOT performance
- ❖ greater efficiencies through adherence to manufacturing plan
- ❖ reduction in stock weeks
- ❖ greater efficiencies in logistics – despatch planning and freight mode

Operations Excellence

Operational Excellence is a program to improve the performance of our manufacturing business through focussed work on:

Asset Reliability

- ❖ Lead Team established, base line reliability audits conducted, best practice focus groups established in RCFA, CM, Lubrication and rotating equipment set up

Process Capability

- ❖ Framework developed, DMAIC tools training, linkage to customer needs and value creation, targeted improvement projects

People Productivity

- ❖ Common competence, knowledge and statutory training framework relating to work practice and operator efficiency developed and deployed
- ❖ Leadership and frontline supervisor development programs in place

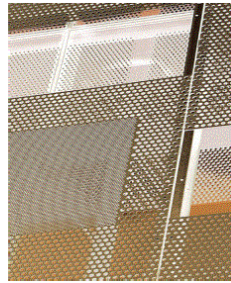
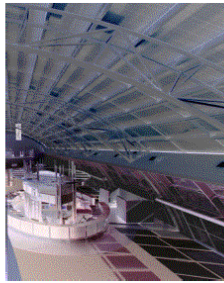
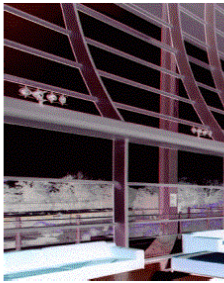
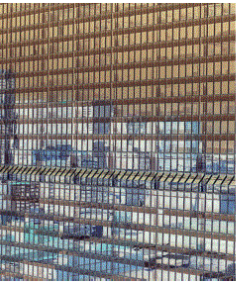
Sourcing

- ❖ Review cost and procedures commenced

Cost Initiatives

Cost Reduction initiatives include:

- ❖ Improved Sourcing and Procurement
- ❖ Reductions in labour numbers and overtime. Total Labour numbers decreased from 2600 in 05 to 2500 in 06.
- ❖ Rostering changes in R&B and Wire
- ❖ Lower maintenance costs through improved reliability and pro-active maintenance planning.
- ❖ Improved electricity management at the Sydney Meltshop
- ❖ Overhead reduction programs
- ❖ Mesh Machine rationalisation project
- ❖ Improved freight management
- ❖ Discretionary spend



Market Mills Presentation June 2006 Attachments

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2006 Safety Performance

	2003	2004	2005	YTD 2006
LTIFR	→ 1.9	→ 2.1	→ 1.7	→ 0.9
MTIFR	→ 18.5	→ 15.2	→ 11.3	→ 11.0

Rod and Bar

Key Products

- ❖ Coiled and straight rod
- ❖ Rounds, squares, hexagons, deformed bar, flats and light structural
- ❖ Y-bar

Facilities

- ❖ Newcastle Rod mill
- ❖ Newcastle Bar mill
- ❖ Sydney Meltshop
- ❖ Sydney Bar Mill

Reinforcing

Key Products

- ❖ Reinforcing Mesh and Reinforcing Bar
- ❖ Prefabricated Reinforcing Bar
- ❖ Mining Mesh
- ❖ Industrial & Rural Meshes

Facilities

- ❖ NSW - Revesby (Mesh making and Bar prefabrication)
 - Villawood (Bar Processing Facility)
- ❖ QLD - Acacia Ridge – Bradman Street (Mesh making)
 - Acacia Ridge – Peterkin Street (Bar Processing Facility)
- ❖ VIC - Altona – (Mesh Distribution)
 - Noble Park – (Bar Processing Facility & Bar prefabrication)
- ❖ SA - Cavan – (Mesh Distribution, Bar processing & Bar prefabrication)
- ❖ WA - Forrestfield – (Mesh manufacture, Bar processing & Bar prefabrication)
- ❖ NATIONAL 34 Branches (Mesh & Bar distribution, Bar processing & prefabrication)

Wire

Key Products

- ❖ Rural - Fencing , Livestock & Horticultural wires
- ❖ Manufacturing – Bright , galvanised , chainmesh , mechanical spring & nail wires
- ❖ Concrete reinforcing wires
- ❖ Heavy Mining rope
- ❖ Bright Bar – automotive & machining applications

Facilities

- ❖ Newcastle Wire mill (Wiredrawing, galvanising and Fence Post Plant)
- ❖ Geelong Wire mill (Wiredrawing and galvanising)
- ❖ Newcastle Wire Rope plant
- ❖ Somerton OMB (Bar drawing, surface grinding, chrome plating)

Steel in Concrete

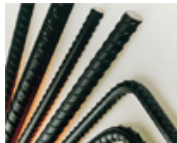
Sectors

- ❖ Engineering Construction
- ❖ Residential Construction
- ❖ Non Residential Construction



End Use Applications

- ❖ Roads, bridges, tunnels
- ❖ Houses, units
- ❖ Warehouses, shopping centres, factories
- ❖ Accessories
- ❖ Concrete pipes
- ❖ Railway sleepers



Mining

Sectors

- ❖ Coal - Open cut & underground
- ❖ Overland conveyors
- ❖ Metalliferous Ore processing

End Use Applications

- ❖ Dragline & shovel ropes
- ❖ Strata Control bolts & Mesh
- ❖ Cable belt & rollers
- ❖ Grinding balls



Manufacturing Market

Sectors

- ❖ Spring
- ❖ Welding
- ❖ Bedding
- ❖ Fabrication
- ❖ Transport
- ❖ Fasteners



End Use Applications

- ❖ Rail clips & General springs
- ❖ Welding electrodes/Wire
- ❖ Mattresses
- ❖ Screens, grating, sheds
- ❖ Truck trailers, tow bars
- ❖ Nails & fasteners
- ❖ Shelving



Rural

Sectors

- ❖ Livestock
- ❖ Horticulture
- ❖ Industrial
- ❖ Hardware
- ❖ Aquaculture



End Use Applications

- ❖ Cattle, Sheep Fencing
- ❖ Horse Fencing
- ❖ Rabbit Proof Fencing
- ❖ Trellising
- ❖ Marine Mesh cages



Automotive

Sectors

- ❖ Automotive forging
- ❖ Spring manufacture
- ❖ Tyre Cord
- ❖ Bright Bar



End Use Applications

- ❖ Tyres
- ❖ Steering Shafts
- ❖ Head Rests
- ❖ Shock Absorber Piston Rods
- ❖ Drive training
- ❖ Springs for suspension systems
- ❖ Transmission components

