EVOLVE WITH US

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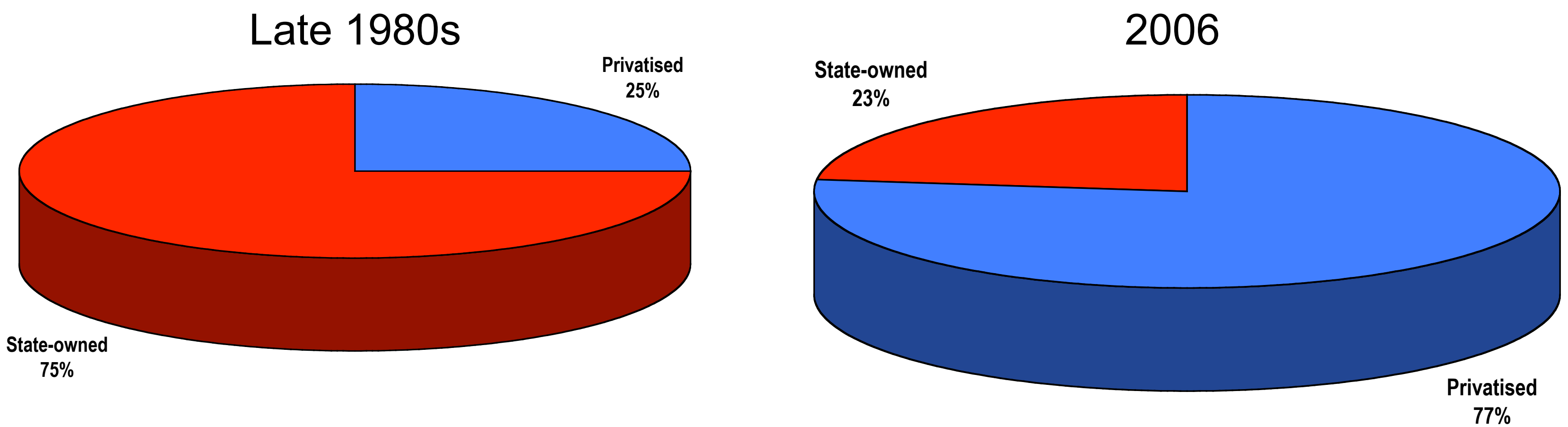
INTRODUCTION

- The international steel industry is still evolving – driven by privatisation and continued growth in China
- Despite the changing landscape, the industry as a whole is not delivering value to investors
- To provide continued customer value in the end markets, the Australian & New Zealand steel industries need to become more competitive – at all parts of the chain
- Consolidation in domestic long products is one step towards being more competitive

Source: JP Morgan research 2005

STRUCTURAL CHANGES TO STEEL SECTOR – PRIVATISATION

Ownership of global steel industry



Source: IISI, JP Morgan estimates

- The international steel industry is in an accelerated phase of evolution
- Greater private sector ownership is driving consolidation at a regional level

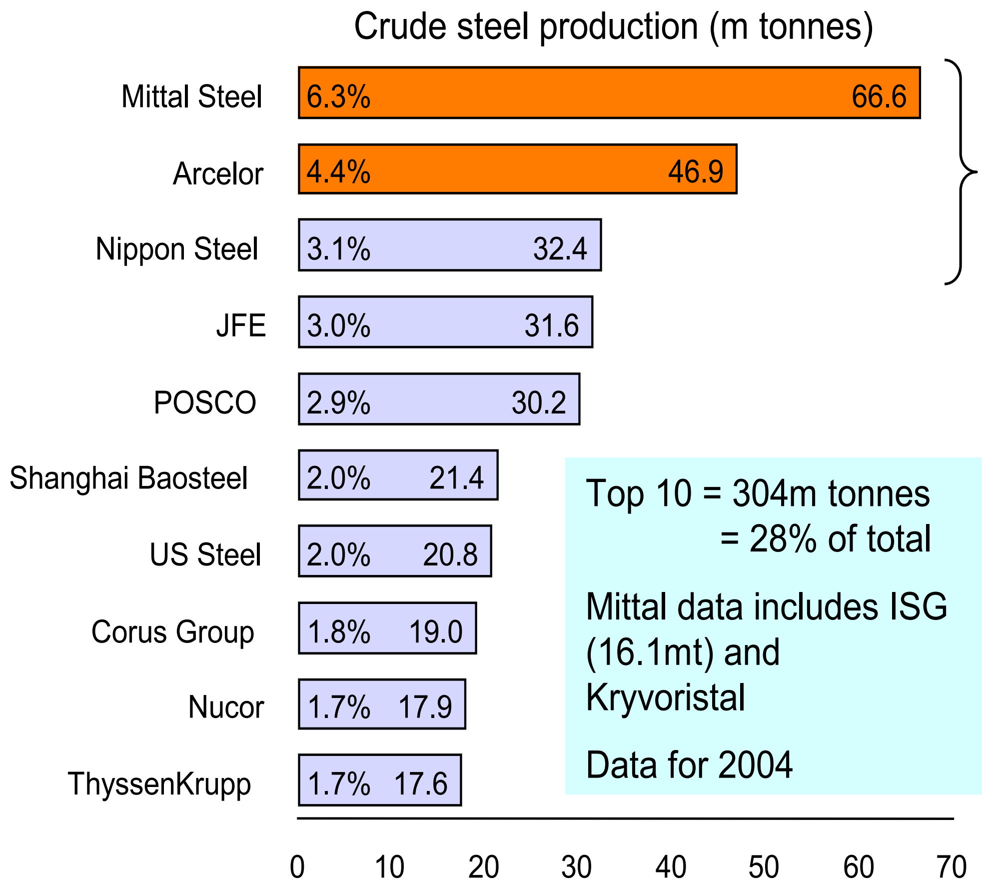
Source: JP Morgan research 2005

STRUCTURAL CHANGES TO STEEL SECTOR – CONSOLIDATION

- Over the last 5 years, regional consolidation has been a key feature of the global steel industry
- Consolidation has arguably been driven by privatisation
- During 2001, more than 36 US steel companies filed for bankruptcy, with healthy steel companies buying their assets
- Consolidation has also accelerated in Europe, Latin America and Asia (excluding China), resulting in several giant, multinational steel companies – including Arcelor and Mittal Steel
- To date, consolidation of the Chinese steel industry has not been on a large scale. It will gain momentum as capitalism evolves and privatisation occurs through the China Steel Policy
- A more rational and disciplined approach to bringing on new capacity – driven by consolidation of the global steel industry – has been a feature of this steel cycle

Source: JP Morgan research 2005

EMERGENCE OF A FIVE-COMPANY TOP-TIER



Mittal and Arcelor have merged to form global giant

Top 10 = 304m tonnes
= 28% of total

Mittal data includes ISG (16.1mt) and Kryvoristal

Data for 2004

The top 10 producers now account for some 28% of total steel production

Source: CRU, CRU Steel Conference, Barcelona, 7 March 2006

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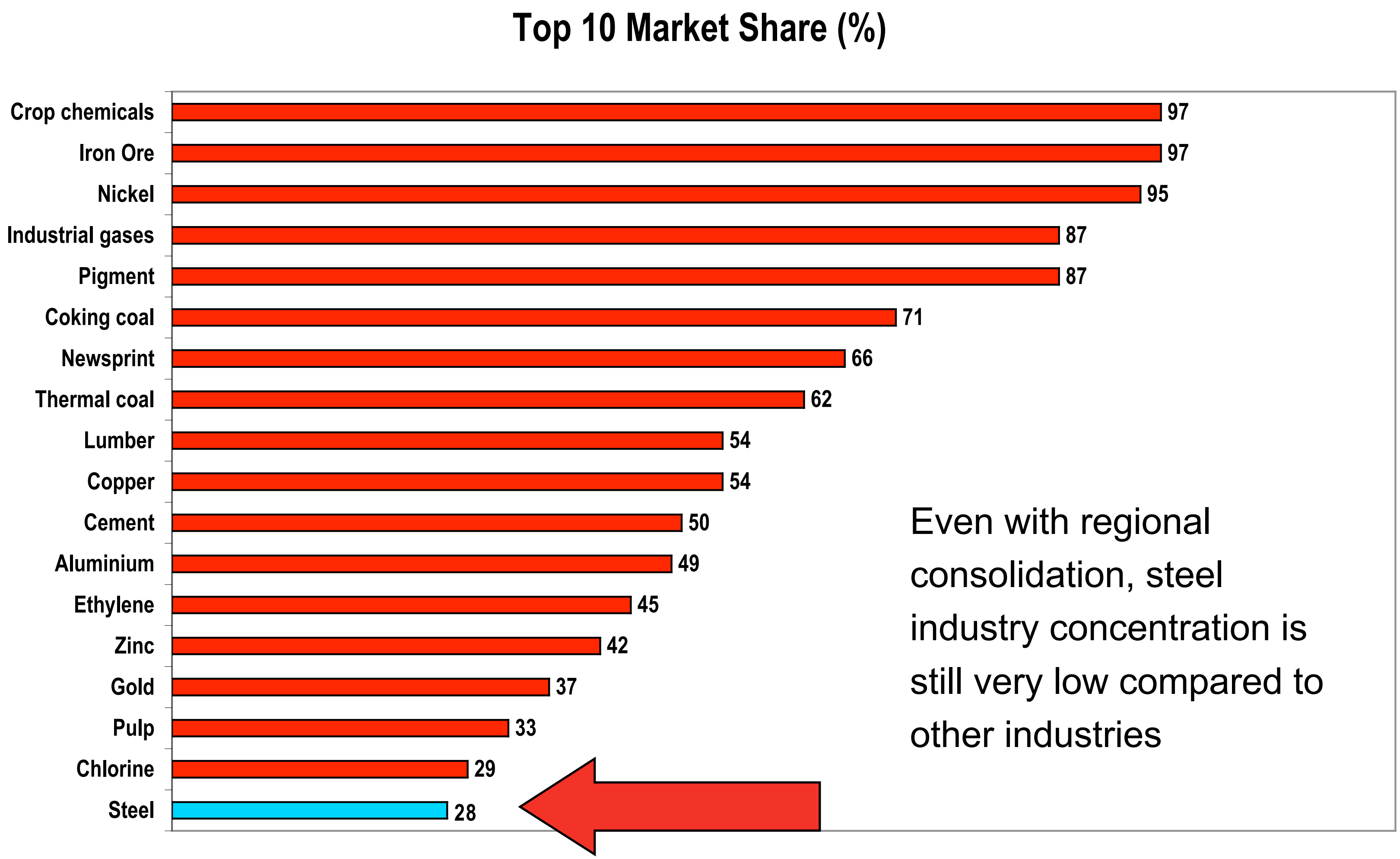
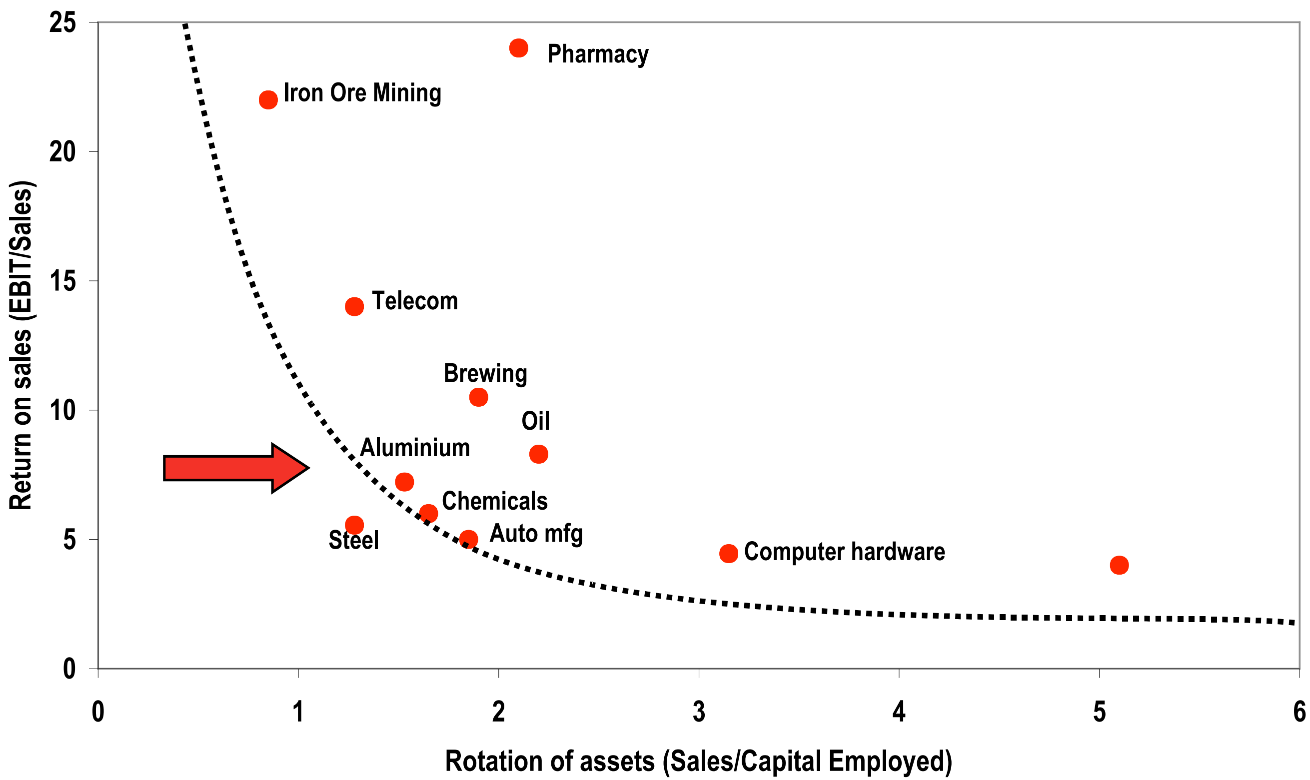
FOR NOW, STEEL INDUSTRY REMAINS LESS CONCENTRATED THAN OTHER BASE INDUSTRIES



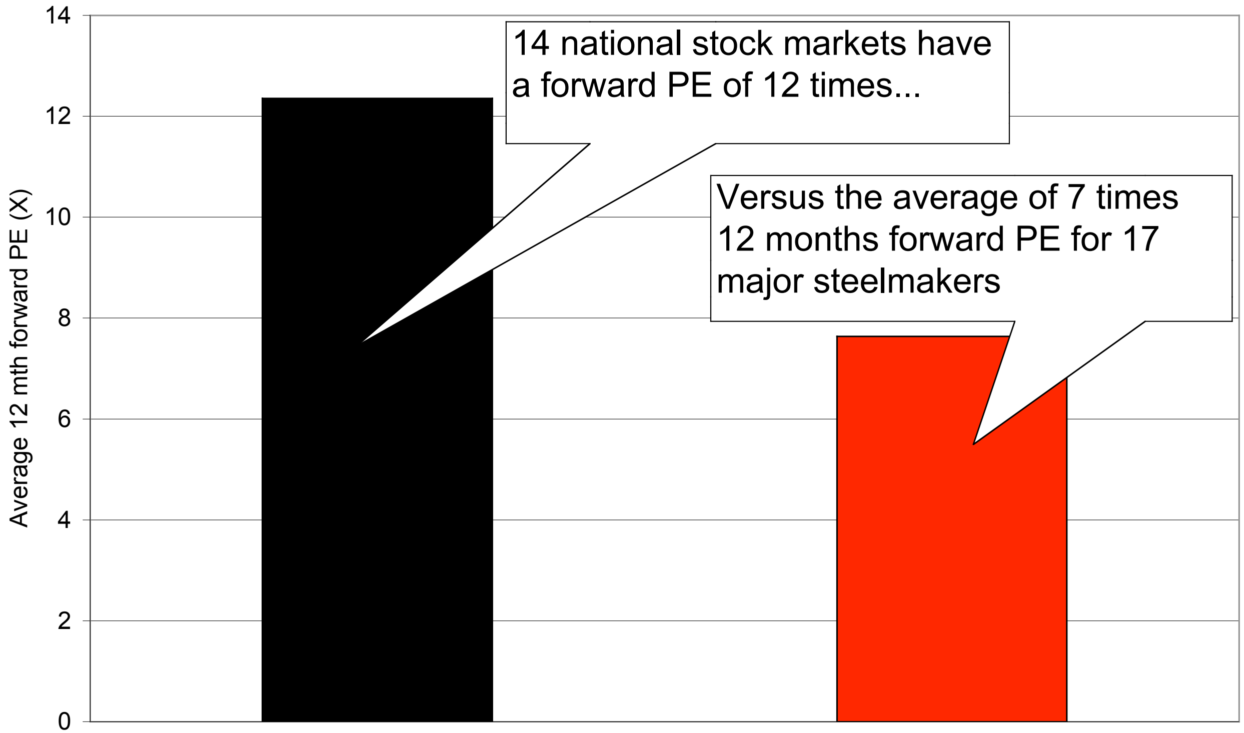
Source: Hatch Associates, Joint India/OECD/IISI Workshop, New Delhi, India, 16-17 May 2006

HISTORICALLY, STEEL COMPANIES HAVE POOR RETURN ON SALES AND ASSETS



Steel continues to underperform other industries in terms of the margins it makes and asset returns. As a result, the industry has not created much value

STEEL STOCKS TRADE AT LOWER MULTIPLES COMPARED TO INDUSTRIAL STOCKS



As a result, steel stocks trade at much lower forward price earnings multiples than other industrial markets

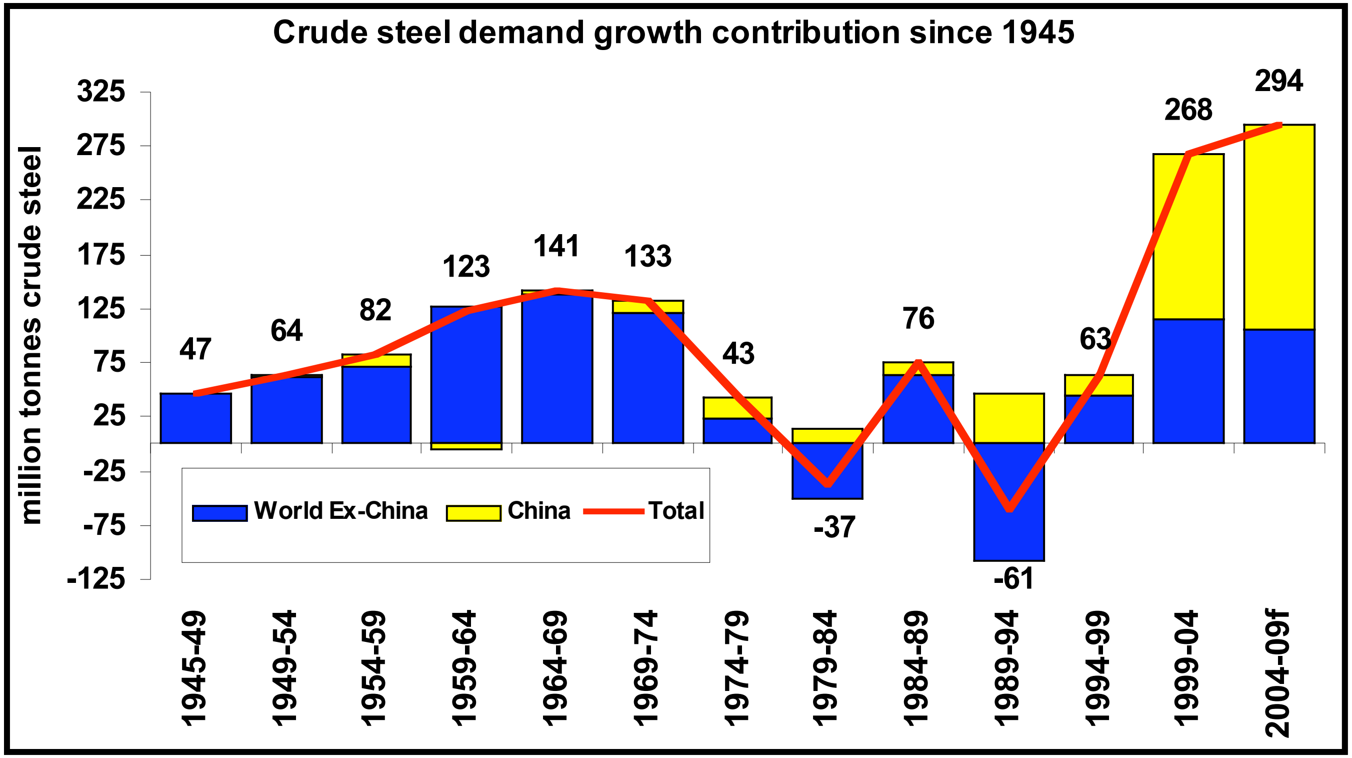
Source: Credit Suisse Equity Research

PRESENT AND FUTURE – THE ROLE OF CHINA

- China has fuelled one of the biggest resource booms in history
- Steel, steelmaking raw materials, coke and a wide range of commodities are in growing demand
  - In 1992, China represented 7–10% of world demand for main base metals. In 2003, it was 20–25% of world demand. In 2005, it was around 25%.
  - Even allowing for a slowdown from current growth rates, by 2010 China is likely to account for more than 30% of world demand and more than 40% by 2020.
- China's path to development is the same as that previously taken by most Western countries. The difference is the size and speed at which they embrace and duplicate Western technologies
- The Chinese government has espoused incredibly ambitious goals for development, including quadrupling GDP by 2020

Source: Macquarie Research Commodities, China's impact on world freight markets – role of bulk commodities, McCloskey's European Coal Outlook Conference, Nice, France, 22-23 May 2006

SINCE 1999, CHINA HAS CAUSED A MASSIVE ACCELERATION IN WORLD STEEL DEMAND GROWTH



Annual world steel demand growth back to 5–6% for the first time since the 1960s

Source: Macquarie Research Commodities, China's impact on world freight markets – role of bulk commodities, McCloskey's European Coal Outlook Conference, Nice, France, 22-23 May 2006

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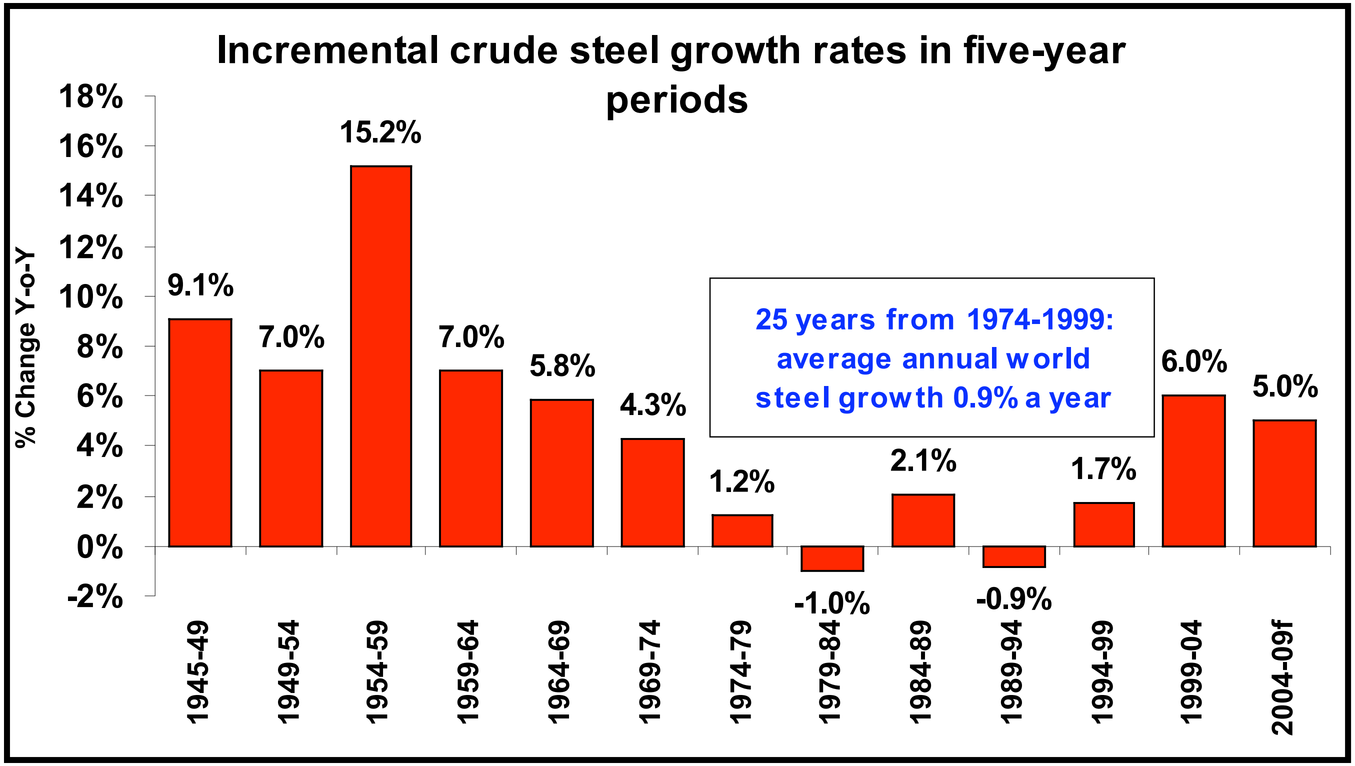
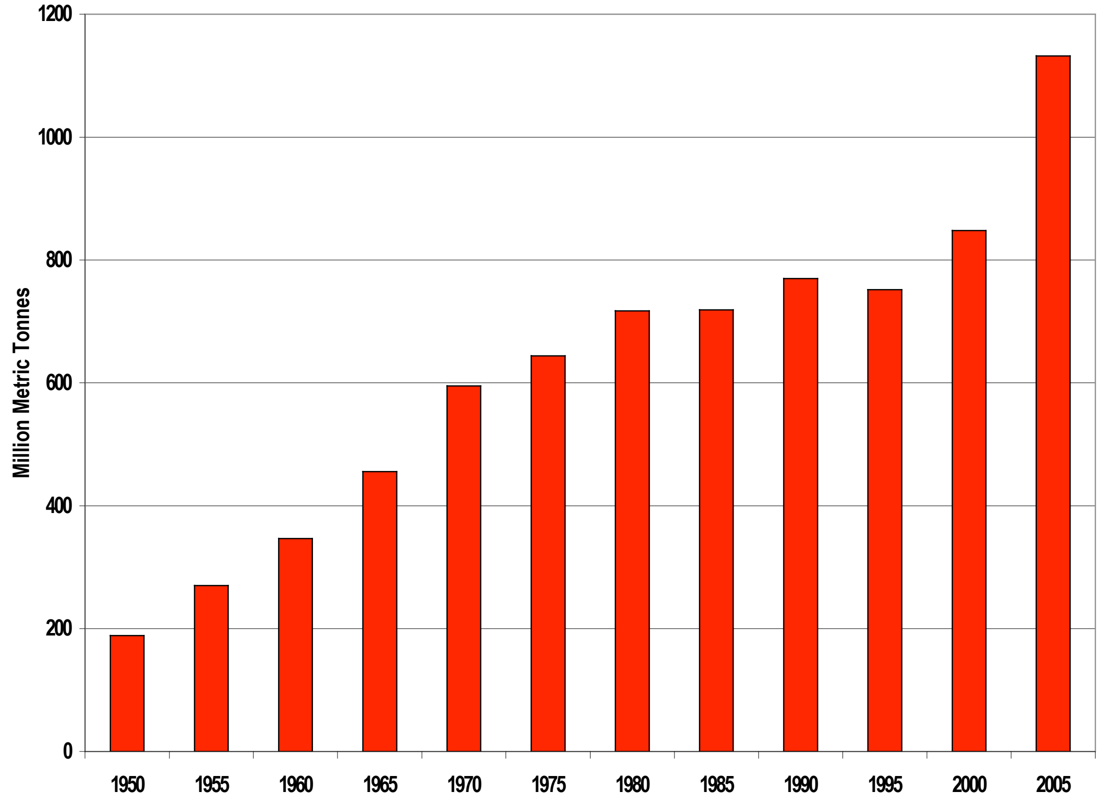


Quantum of growth in five-year periods is now huge – leading to large investment requirements in steel and raw material capacity

Source: Macquarie Research Commodities, China's impact on world freight markets – role of bulk commodities, McCloskey's European Coal Outlook Conference, Nice, France, 22-23 May 2006

SINCE 1999, CHINA HAS CAUSED A MASSIVE ACCELERATION IN WORLD STEEL DEMAND GROWTH

World Crude Steel Production – 1950 to 2005



Trend rate of growth may accelerate in the next decade

Source: International Iron and Steel Institute, World Steel in Figures 2006

CHINESE GROWTH – STRONGER, PROTECTED AND SUSTAINABLE

- Drivers of growth in China are the same as for other developing economies – urbanisation, huge pent-up demand for infrastructure and consumer durables, exports/import substitution. Chinese underlying trends for steel are still strong, at least as strong as GDP trend growth of 7–8% pa
- Main issue in China is relieving bottlenecks to allow growth to proceed. Problems arise when bottlenecks – including power, coal, rail and raw materials – become binding, as they did last year
- Sources of investment funding – domestic savings/retained earnings – are insulated from the vagaries of the global financial system
- Large trade surplus and foreign exchange reserve base are very positive for sustainable growth
- China is essentially profitable, with huge productivity gains continuing to offset margin erosion. Overcapacity is needed and will encourage productivity improvements

Source: Macquarie Research Commodities, Metal Bulletin's Iron Ore Conference, Athens, 30 May – 1 June 2006

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AUSTRALASIAN STEEL INDUSTRY – AN OVERVIEW

The Australasian Steel Industry

- Is extremely small on an international scale, the ability of local companies to impact global or regional trends is negligible
- Is advanced. Despite its size, it is relatively innovative, is less fragmented at the production end than overseas steel sectors, and has ready access to good quality raw materials
- Enjoys a broad distribution footprint
- Can compete effectively against imported and fabricated product and provide a solid return for shareholders
- Manages complexity well – producing and supplying a wide range and depth of products despite relatively small scale production
- Requires strong relationships for mutual dependence

AUSTRALASIAN STEEL INDUSTRY – INTERNATIONAL IMPACT

- Imports, at all levels, are a reality of the Australasian steel landscape:
  - semi-finished steel
  - steel product
  - fabricated steel product
  - manufactured steel products
- The choices available to our customers have increased markedly over the last 10 years
- Competing on price alone will not provide sufficient returns for the longevity of the steel industry

The Australasian steel industry must play a critical role.
It must continue to add value and evolve with the dynamic landscape or it will fall the way of steel within the automotive industry

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AUSTRALASIAN STEEL INDUSTRY – WHAT DOES OUR END MARKET WANT?

Our customers are looking

- Beyond price and availability
- For further value-adds such as innovation, new products, new markets, customer and technical support services, quality guarantees and reliability
- At supply providers who reduce or manage risk
- For suppliers who are key components of their success

AUSTRALASIAN STEEL INDUSTRY – WHAT DO WE NEED TO FOCUS ON?

To continue to compete, Australasian steel companies need

- A competitive strategy to provide:
  - lower cost make and serve
  - continuous increases in value to our customer
  - innovation in product and service delivery at all levels of the value chain – manufacturers, distributors, processors, fabricators, specifiers and service providers
- To understand and deliver value to changing customer requirements and demands while delivering maximum value to shareholders
- A whole of industry (steel value chain) approach to delivering a competitive and highly valued offer to our customers and markets. We have to recognise and be confident that our industry does provide value in what we offer

BENEFITS OF PROPOSED ONESTEEL AND SMORGON STEEL MERGER

More competitive business

- Strategic benefits are expected to be realised through: efficiencies in manufacturing operations, improved facility utilisation, improved supply chain management, production, and other savings. The results will benefit customers and improve our ability to compete against imports

Growth

- Exciting and complementary growth options include: Project Magnet, the international potential of LiteSteel™ beam, and expansions in metal recycling which offer shareholders diverse sources of potential earnings growth

Stronger company

- With pro forma revenue in excess of $5.5 billion[1], EBITDA in excess of $700 million[1] and more than 10,000 employees

1 Sales and EBITDA are based on the average of current broker estimates for OneSteel and Smorgon Steel for the year ending 30 June 2006 less sales and EBITDA from the steel and merchandising arm of the Smorgon Steel distribution business. EBITDA includes full pro forma synergies of $70 million. Approximate only. Further detail will be provided in the Explanatory Memorandum to the scheme of arrangement.

BENEFITS OF PROPOSED ONESTEEL AND SMORGON STEEL MERGER

Increased ability to service customers

- A more diverse geographical manufacturing footprint
- Wider range of products and services

Diversity and size of operations

- OneSteel expects to have an enhanced regional footprint with over 200 sites across Australia and more than 10 offshore offices and operations. This presence is expected to provide a solid platform for growth in new and existing markets

Expected synergies

- The combination of the businesses is expected to generate net EBITDA synergies of $70 million per annum by the third full-year after completion of the proposed transaction. These synergies will allow the further growth and development of OneSteel

BENEFITS OF PROPOSED ONESTEEL AND SMORGON STEEL MERGER

New revenue streams developed

- Will allow OneSteel to offer an extended product offering to customers and facilitate the development of new business structures

Improved security of raw material supply

- Reliable raw material supply via OneSteel's long-term iron ore resources through Project Magnet and Smorgon Steel's scrap recycling business. Also expect to be more competitive through the natural hedges associated with these improved raw material supply arrangements

Increased liquidity

- Following the proposed transaction, OneSteel will be a stronger Australian company, expected to rank well inside the top-100 companies on the ASX. This should provide greater liquidity for investors and facilitate greater interest from domestic and international investors

ONESTEEL AND SMORGON STEEL MERGER: BENEFITS TO OUR CUSTOMERS

- A more viable and stronger industry structure
- More cost competitive long products manufacturing base
- Improved reliability and service to customers
  - A greater percentage of product manufactured closer to market which increases responsiveness
  - The ability to move product more effectively across and around the country
- Increased ability to innovate and invest in new products and services
- Ability to provide solutions and services to reduce or mitigate key risks in market
- A long products company with increased financial depth and investing in the future of the industry
- Ability to take the best of both businesses

ONESTEEL AND SMORGON STEEL MERGER: STATUS

- OneSteel and Smorgon Steel are continuing to engage the ACCC to reach regulatory approval
- OneSteel and Smorgon Steel have asked the ACCC for a ‘pause’ in its consideration to provide additional information on some complex commercial issues
- At the end of that time, the companies will discuss new timeframes with the ACCC. The ACCC will then determine a new decision date
- OneSteel and Smorgon Steel look forward to continuing discussions with the ACCC and remain strongly committed to the merger
- It continues to be ‘business as usual’
- We appreciate the assistance of many of our customers, suppliers and associates in your support through this process to date

IN SUMMARY

The Steel Industry

- Is going through an accelerated phase of evolution
- Has shaken off the shackles of regulation
- Is experiencing regional consolidation
- Is still fragmented but some large regional players are forming
- Is underperforming on returns to sales and assets compared to other industries
- Delivers sub-optimal share market returns. As such, steel shares trade on lower multiples

Therefore

- The Australasian Steel sector and OneSteel must become more competitive in order to help our customers be more competitive and more successful
- Domestic consolidation in long products manufacturing is a step towards becoming more competitive

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