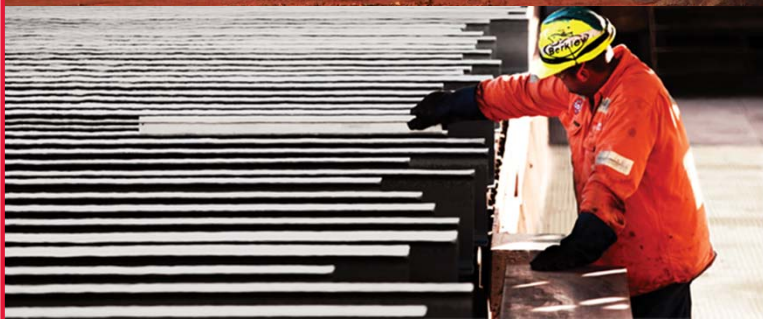




OneSteel Steel and Recycling Operational Tour

Thursday 13 September 2012





These presentations contain certain forward-looking statements with respect to the financial condition, results of operations and business of Arrium and certain plans and objectives of the management of Arrium. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. All such forward looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of Arrium, which may cause the actual results or performance of Arrium to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward-looking statements speak only as of the date of this presentation. Factors that could cause actual results or performance to differ materially include without limitation the following: risks and uncertainties associated with the Australian and global economic environment and capital market conditions, previously undiscovered geological features, the cyclical nature of the steel industry, the level of activity in the construction, manufacturing, mining, agricultural and automotive industries in Australia and North and South America and, to a lesser extent, the same industries in Asia and New Zealand, mining activity in the Americas, occurrence of adverse weather events, capacity, demand for and performance of the global shipping market, commodity price fluctuations, fluctuations in foreign currency exchange and interest rates, competition, Arrium's relationships with, and the financial condition of, its suppliers and customers, legislative changes, regulatory changes or other changes in the laws which affect Arrium's business, including environmental laws, a carbon tax, mining tax and operational risk. The foregoing list of important factors is not exhaustive. There can be no assurance that actual outcomes will not differ materially from these statements.

These presentations contain certain non-statutory financial measures including underlying EBIT, underlying EBITDA, underlying NPAT, underlying earnings per share and underlying effective tax rate. These measures are used to assist the reader understand the financial performance of the company's operations. Non-statutory financial information has not been audited or reviewed as part of KPMG's audit report on the full year financial statements. However, KPMG have undertaken a set of procedures to agree the financial information in this presentation to underlying information supplied by the company. Details of the reconciliation between non-statutory and statutory financial measures can be found in the Appendix to this presentation.



OneSteel Distribution

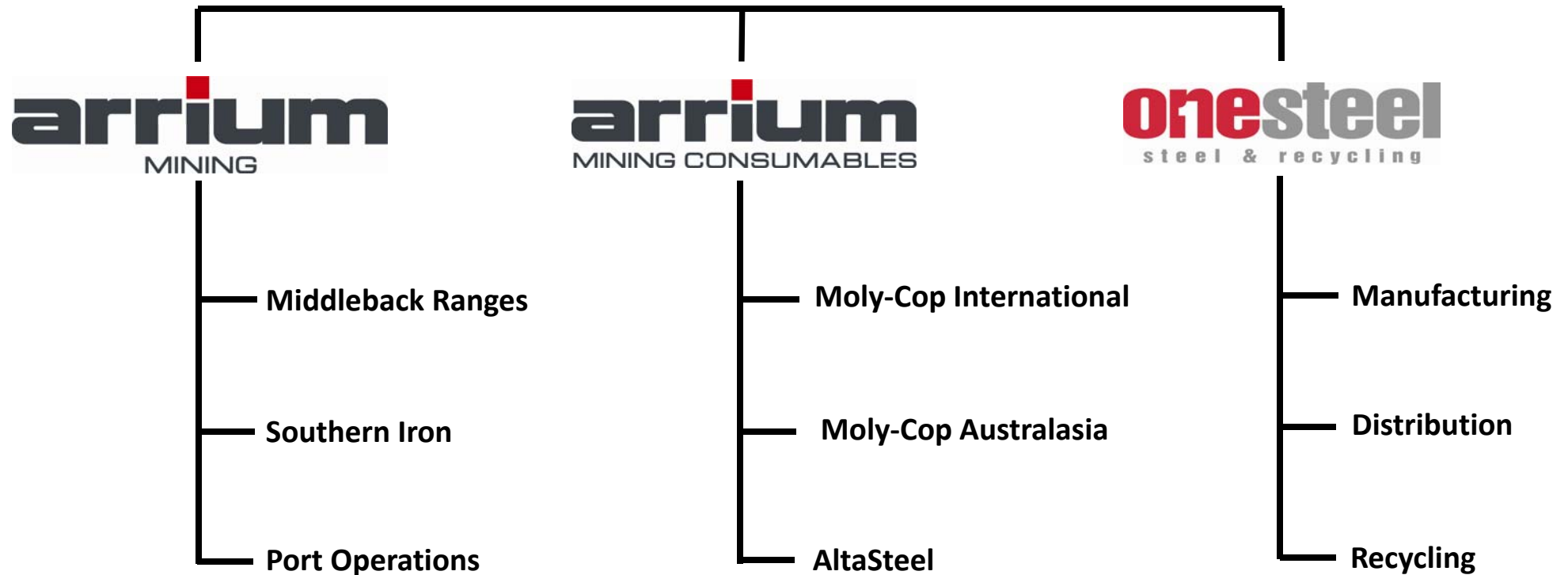
Steve Hamer – Chief Executive Distribution

Contents



- Distribution overview
- Market conditions & external factors
- Distribution performance
- Distribution strategy
- Welcome to the Australian Reinforcing Company

Arrium business structure



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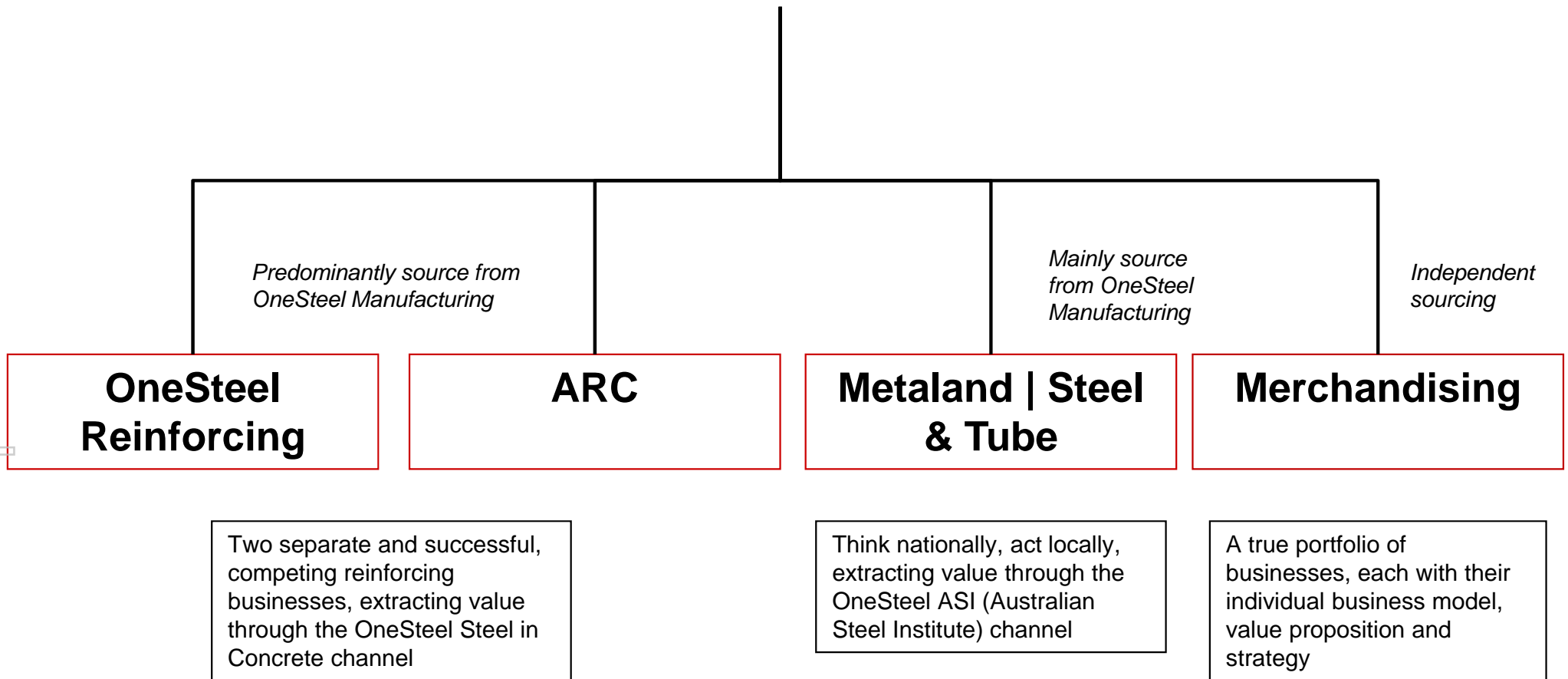
FY12 segment structure

Mining	Mining Consumables	Steel & Recycling		
		Manufacturing	Australian Distribution	Recycling
Iron ore mines Middleback Ranges DSO Pellet plant Southern Iron DSO Dolomite mines Port operations	Moly-Cop Australasia North America South America AltaSteel Waratah Steel Mill Electric Arc Furnace Bar Mill, Rail & Forge Wire Ropes	Whyalla Steelworks Structural Rolling Mills Rail Products Facilities Iron & Steelmaking Laverton Steel Mill Sydney Steel Mill Wire Mills Newcastle Rod Mill Australian Tube Mills	ARC - Australian Reinforcing Company OSR - OneSteel Reinforcing Merchandising Metaland Steel & Tube	Australian Recycling International Recycling Asia USA

New Zealand Distribution segment not shown (represents OST's 50.3% shareholding in Steel & Tube Holdings Limited)

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Business structure





Steel in concrete

- Operate as two separate competing businesses – ARC and OneSteel Reinforcing
- Key Features:
 - Serve construction customers directly
 - Process rebar to order
 - Manufacture and distribute reinforcing mesh
 - Broad customer base from small to large
 - Large footprint
 - Also serve mining and industrial mesh markets



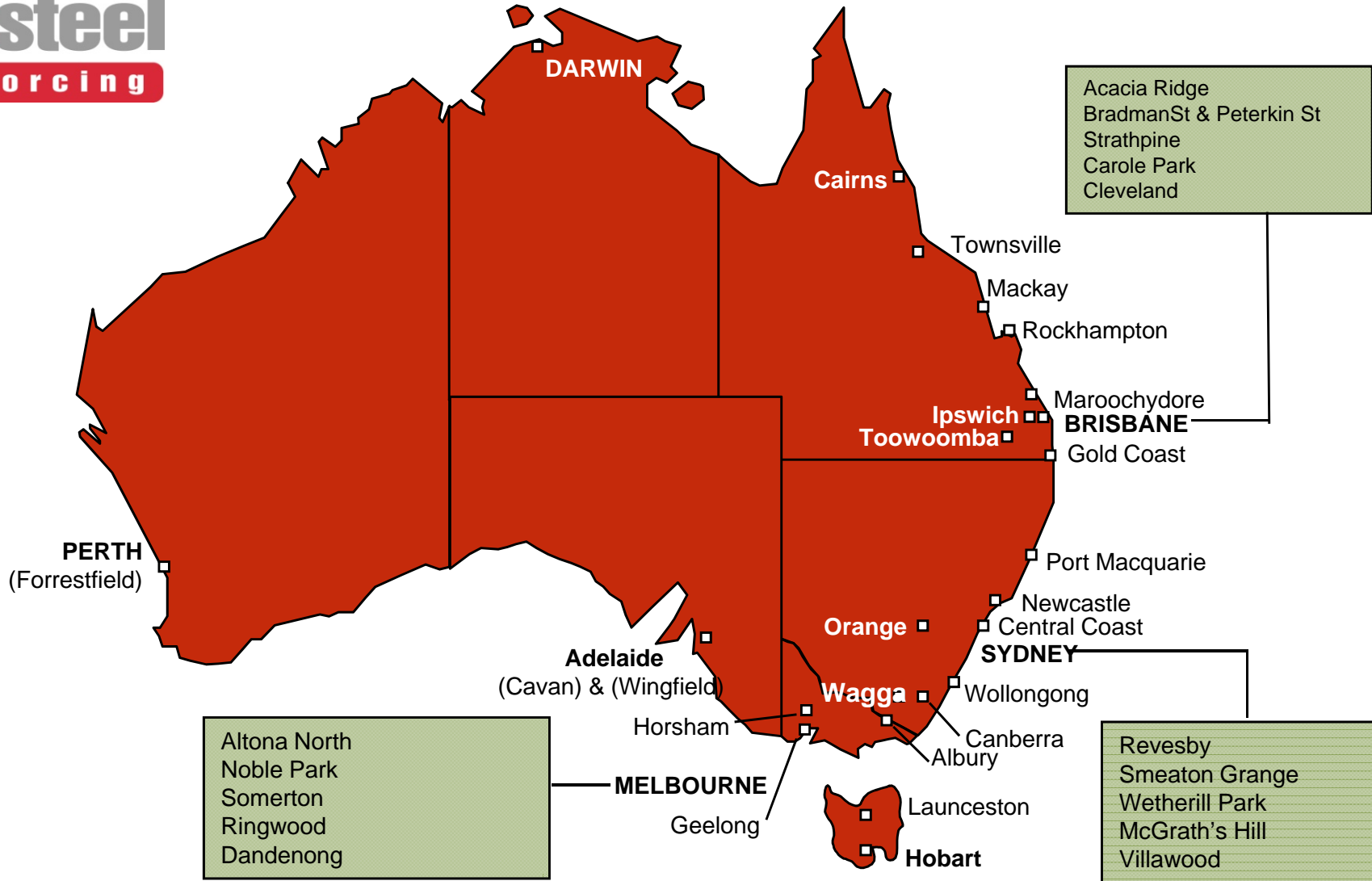
Revenue of ~\$600M
Headcount 900
Sites 40



Revenue of ~\$550M
Headcount 800
Sites 40



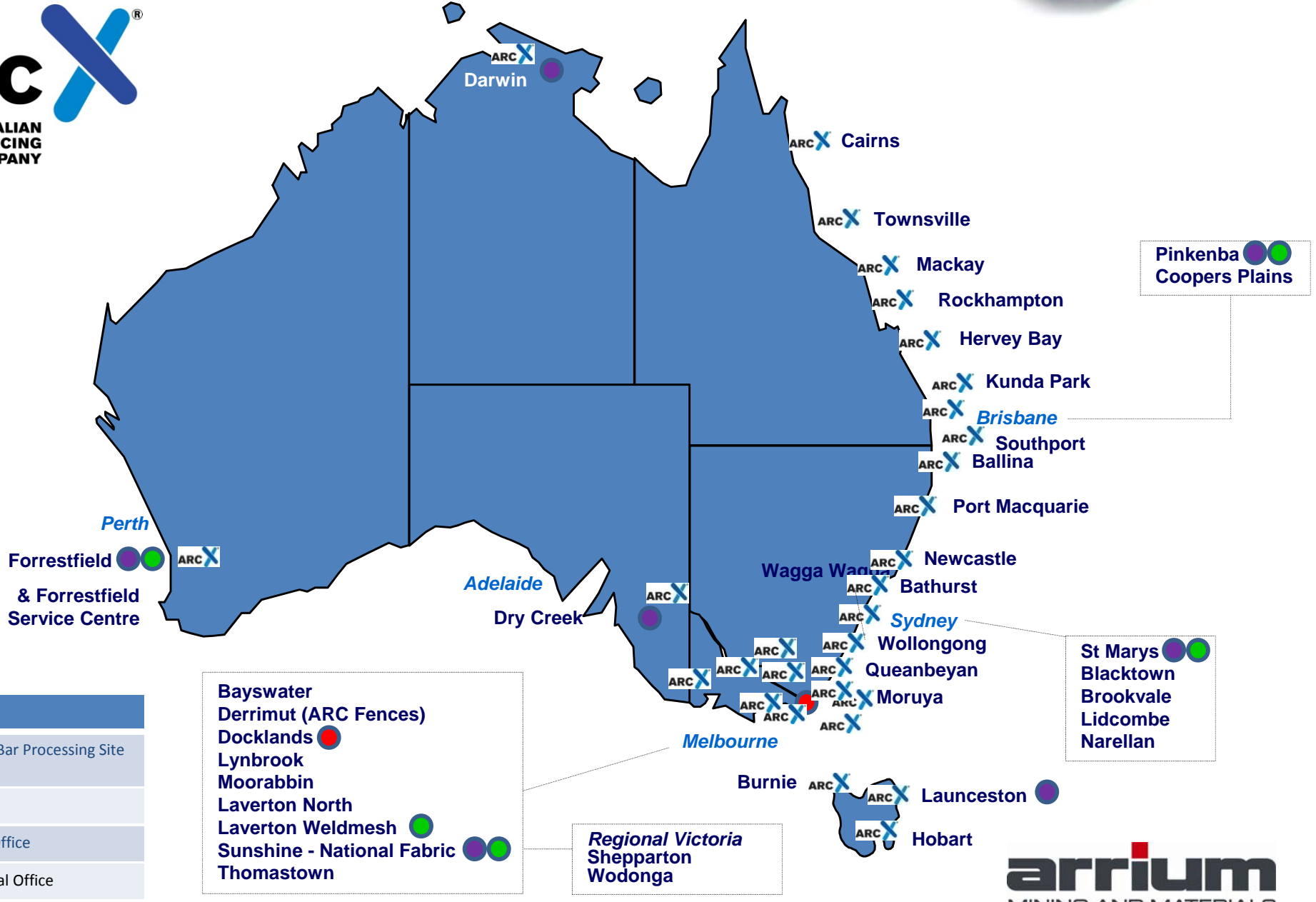
OneSteel Reinforcing footprint



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The Australian Reinforcing Company footprint



Key	
	Major Bar Processing Site
	Branch
	State Office
	National Office



Current as at September 2012

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Metaland | Steel & Tube

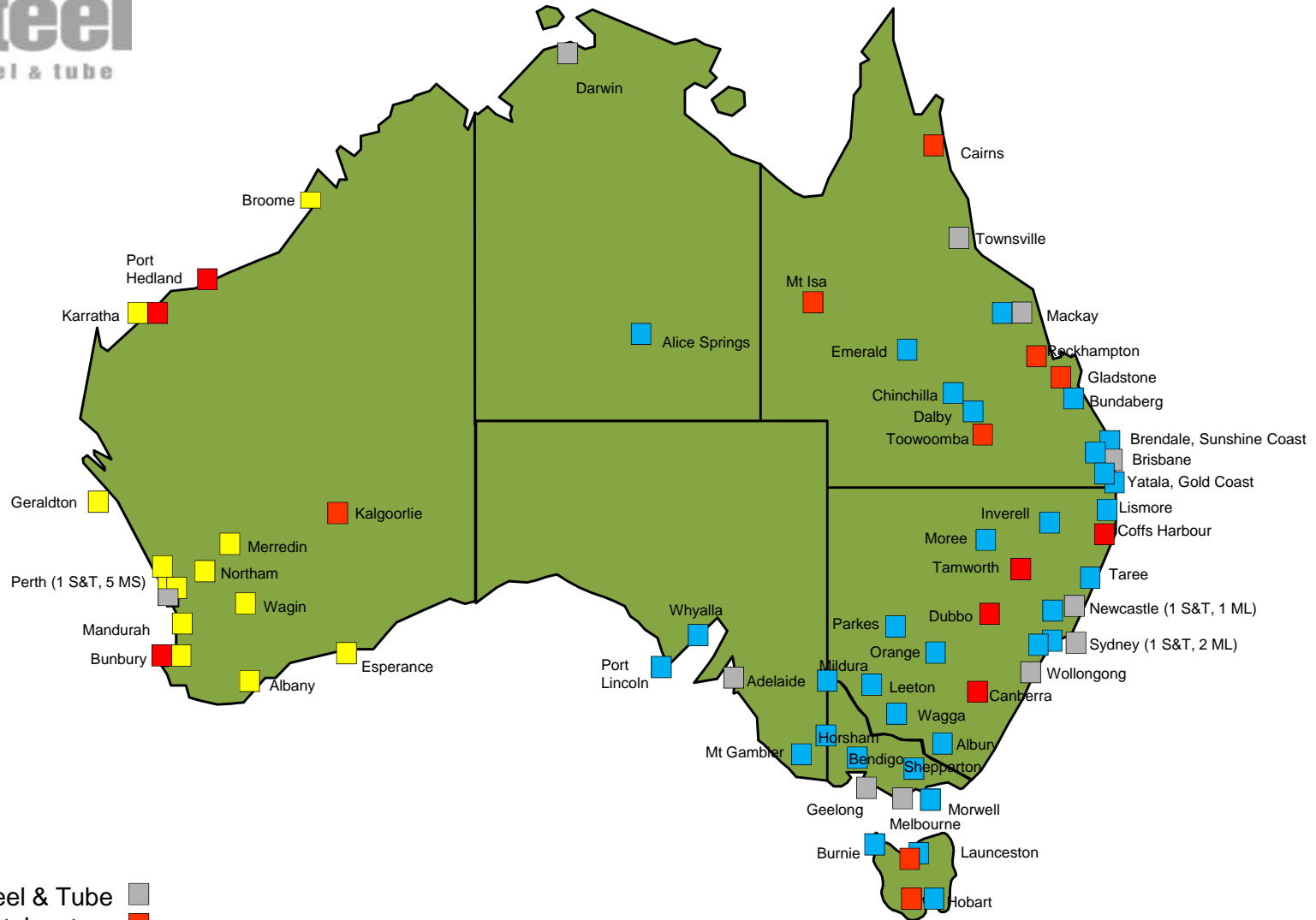


Key Features:

- Delivers a wide range of long and flat steel products and associated processing
- Serves a broad range of market segments
 - Construction
 - Manufacturing
 - Mining
 - Rural
- Split into large projects and unplanned distribution
- Large customer base and footprint
- Revenue of ~\$800M
- Headcount 950
- Sites 77



Metaland | Steel & Tube footprint



- OneSteel Steel & Tube
- OneSteel Metalcentre
- Metaland
- Midalia Steel



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OneSteel Merchandising



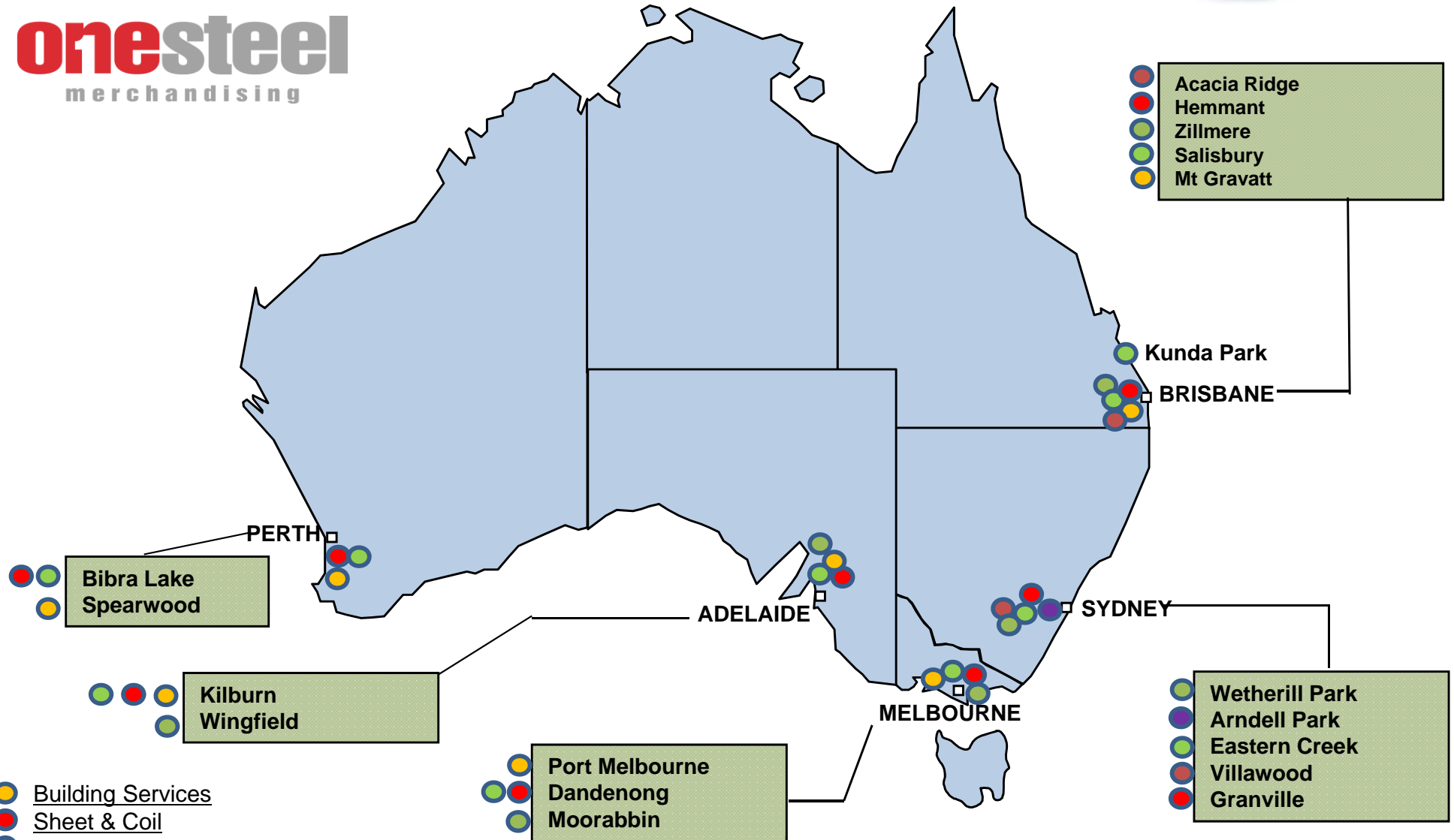
- Manufacture, process and distribute a broad range of metal products
- Key Features:
 - Sources externally to OneSteel
 - Serve a broad range of market segments in construction and manufacturing
 - Non-integrated
 - Portfolio of businesses
 - Revenue of \$600M
 - Headcount 400
 - Sites 21



OneSteel Merchandising footprint



- Acacia Ridge
- Hemmant
- Zillmere
- Salisbury
- Mt Gravatt



- Building Services
- Sheet & Coil
- Aluminium
- Coil Coaters
- Fagersta
- Metpol



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Distribution – Who we are



We are a broad based portfolio of distribution businesses that use expertise in selling, logistics, supply chain and processing to deliver a safe, fast, flexible and reliable product and service offer to all Australian customers of steel products.



Distribution – Our value proposition

- We have leading market positions and brands in most segments
- We have the most extensive footprint of facilities allowing product and service to all regions of Australia
- Our facilities and market positions allow us to tailor offers to service all customers from the smallest to largest
- We are responsive
 - Local and empowered management
 - Part of a value chain in which the customer is respected
- We help mitigate our customer risks
 - Full control of our end to end supply chain
 - ‘Sprint’ capacity to meet market variations
 - Product consistency and adherence to standards
 - Promises made within our capacity to achieve
- We offer security of supply
 - Long term industry involvement
 - Significant level of investment
- We use our supply chain expertise in combination with our local and overseas suppliers to add non-integrated products to our value proposition

Key drivers of business performance - External



- The main drivers are domestic market conditions in -
 - Construction – non-residential, engineering, home-improvement, residential
 - Rural
 - Mining
 - Manufacturing, including automotive
- Impacted by -
 - Government funded infrastructure
 - Resource investment
 - Private development
 - Availability of cash and credit
 - Population growth
 - Unemployment rates and trends
 - Interest rates
 - Freight costs

Key drivers of business performance - Internal



- We need to understand our markets and customers such that we can tailor and deliver valued product, service and solution offers and deliver these effectively and efficiently
- Have a strong selling capacity
 - Being local, there and ready to listen
 - Being willing to respond
 - Being part of the Australian industry
- Assisting customers manage their risk by having an ability to accurately respond to opportunities with a reliable offer across a complex set of sourcing options
- Using a variety of business models enacted through decentralised leadership
- Maintaining a competitive cost position in terms of product and cost to serve
- Being knowledgeable of the product, its applications, end-use markets and global trends

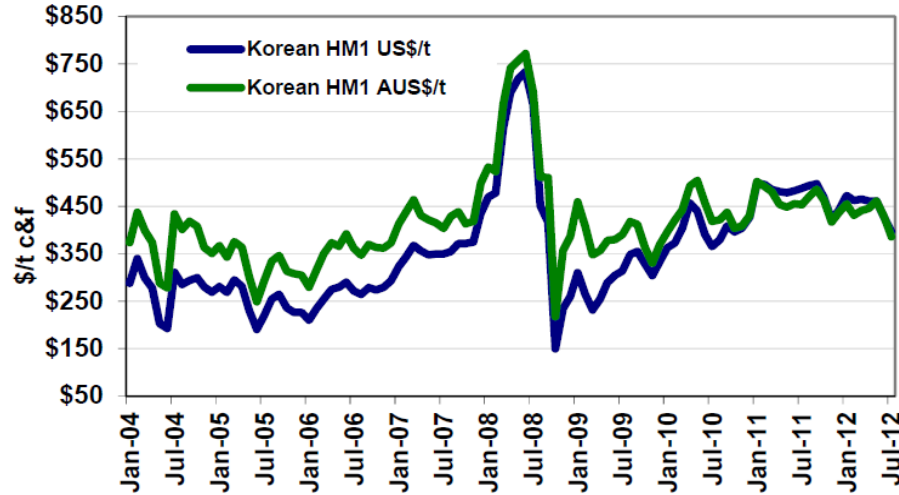
Market conditions and external factors



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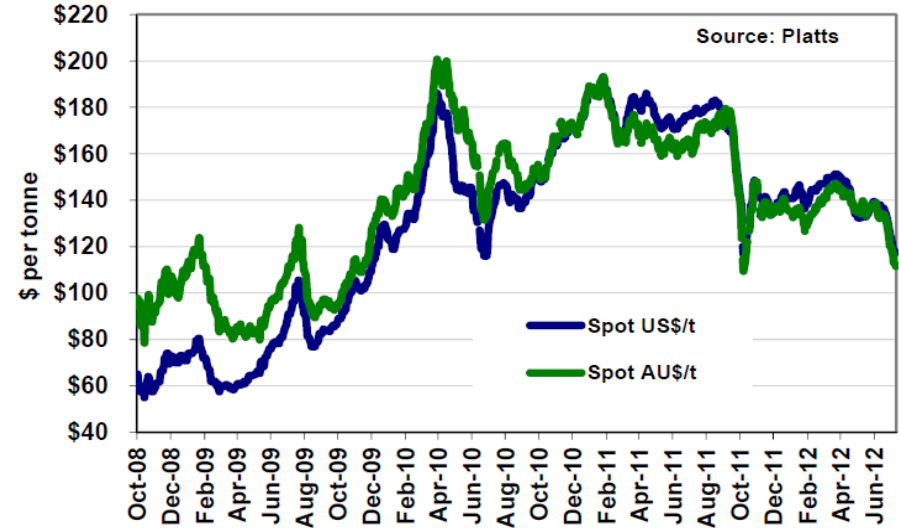
Korean HM1 Scrap Price
January 2004 to July 2012

Source: Tex Report

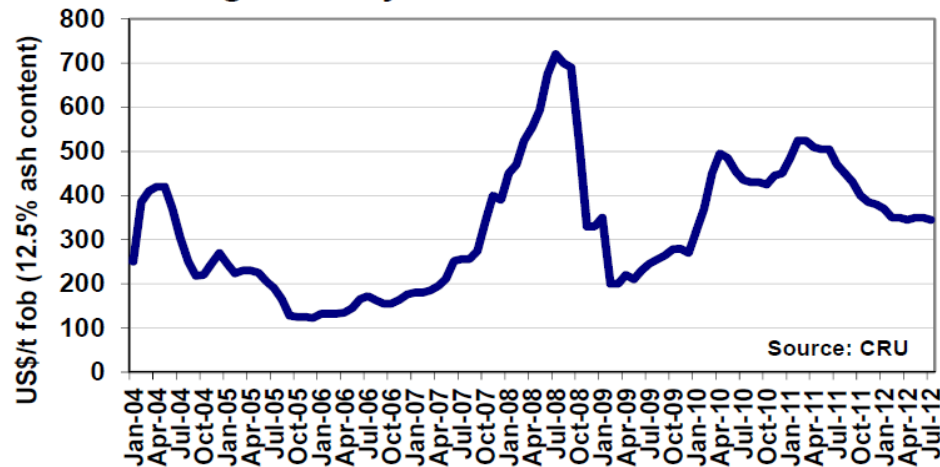


WA Iron Ore Fines 62% Fe CFR Nth China

Source: Platts

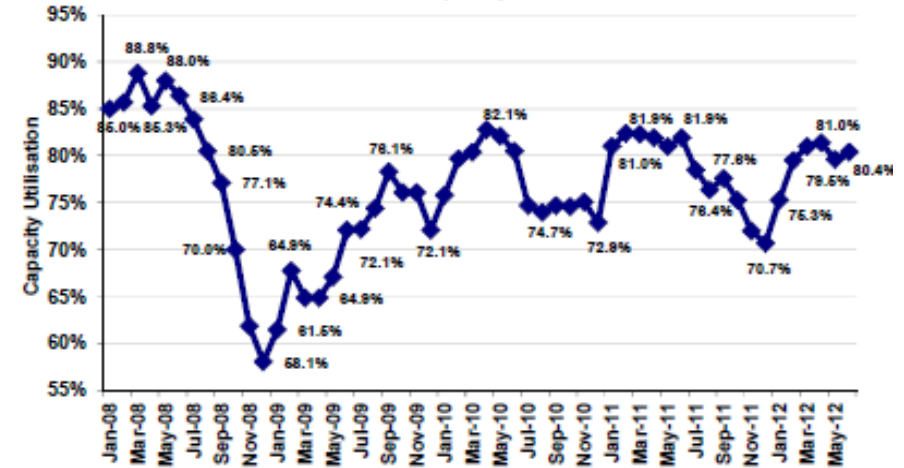


Average Monthly International Coke Price



Source: CRU

World Steel Capacity Utilisation



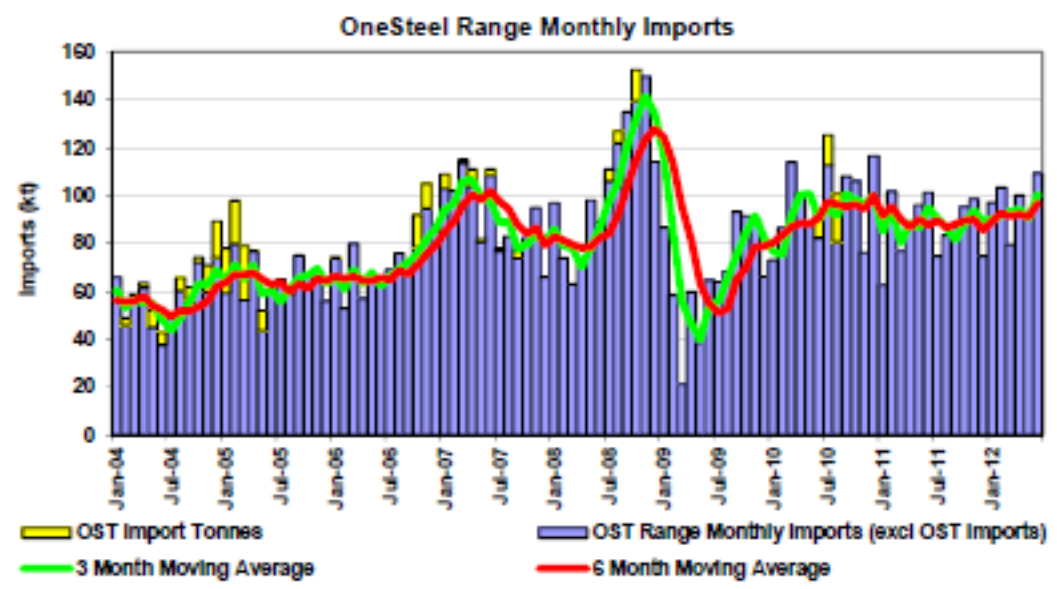
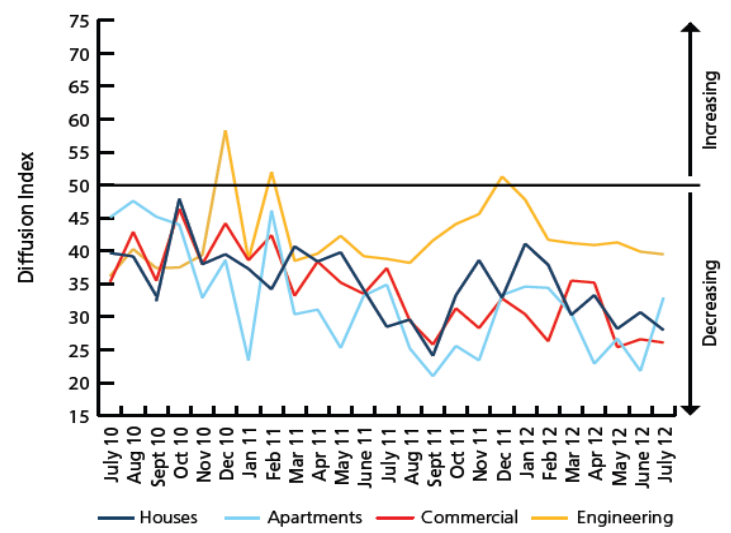
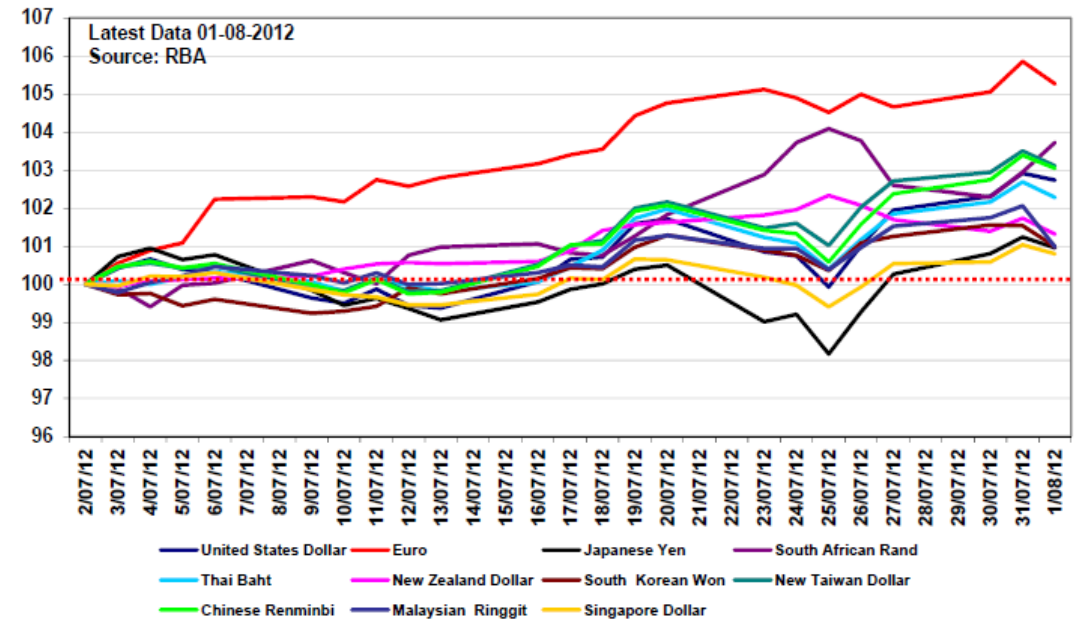
Source: WorldSteel



Market conditions and external factors

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Selected Currencies v AUD - Since July 2012





Market conditions and external factors

International

- Steel input costs, coking coal and iron ore recently fallen to low levels but expected to rebound
- Scrap declined in quarter 4 FY12 and is recovering
- Input price volatility remains

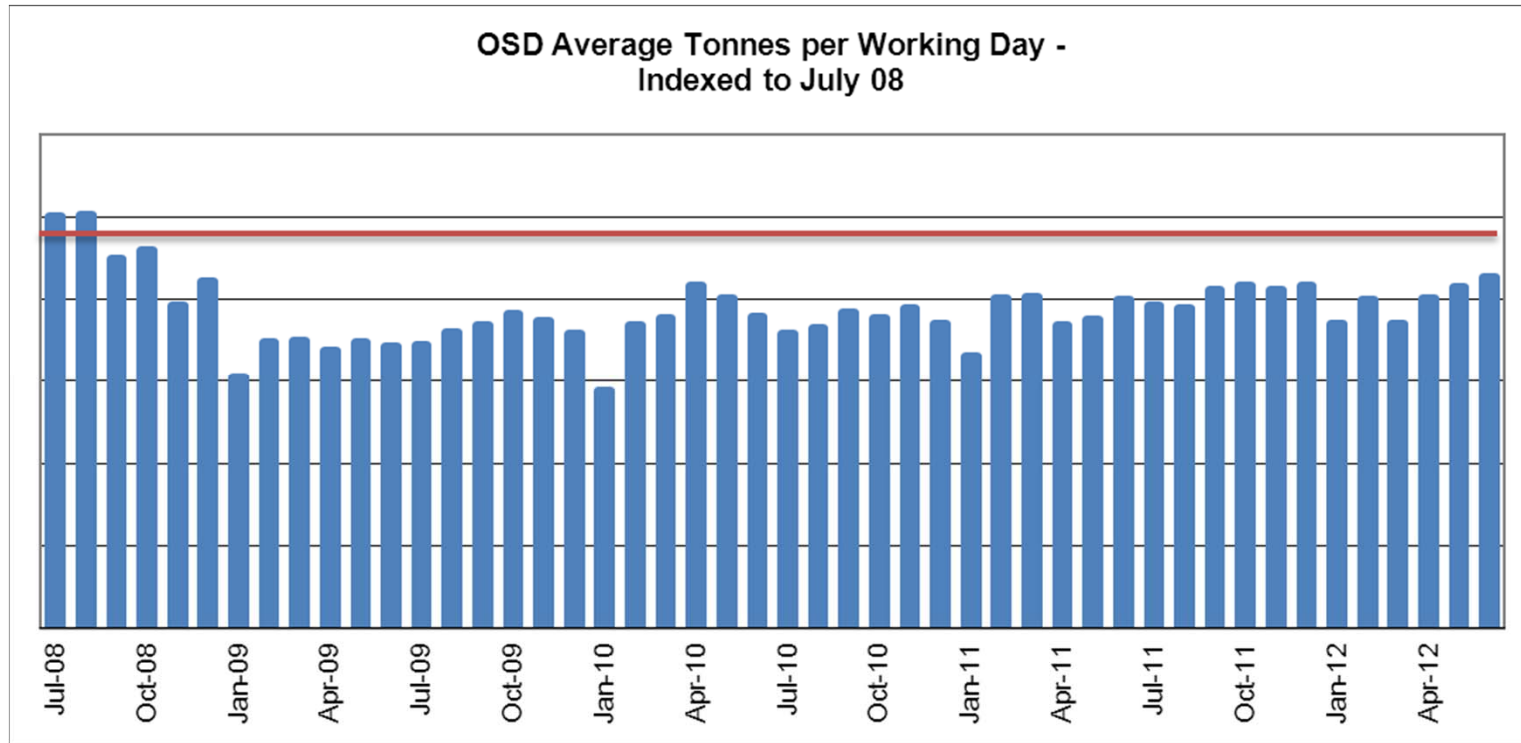
Domestic

- Resource sector projects solid through 2013
- Engineering construction also solid mainly with healthcare and roads
- Non residential sector is weak with tight credit availability
 - Barangaroo the major project to start in 2013
- Residential – stand alone dwellings at record low levels with Victoria easing
- Rural is reasonably strong

Overall

- Volumes have picked up since the wet summer and are expected to hold flat at the higher levels through FY13

Distribution volumes



Benchmark comparative line is based on average volumes for the period from Jul '07 to Mar '08 indexed (excludes Oil & Gas)

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FY12 OneSteel Distribution results¹

	FY12 \$m	FY11 \$m		% change
Total revenue/income	2,436	2,439	-	-
EBITDA	18	40	↓	(55)
EBIT	(10)	10	↓	(197)
Sales margin	(0.4%)	0.4%	↓	(0.8)pts
Assets ²	1,305	1,485	↓	(12)
Funds employed ²	989	1,134	↓	(13)
Return on funds employed ²	(0.9%)	0.9%	↓	(1.8)pts
Employees (number)	3,058	3,498	↓	(13)
External steel tonnes despatched	1.39mt	1.33mt	↑	5

¹ Except as otherwise expressed, references to underlying results in this presentation are underlying results of total operations (includes continuing and discontinued operations). Non-statutory financial measures referred to in this presentation, including underlying results and ratios based on underlying results, have not been audited or reviewed as part of KPMG's audit report on the full year financial statements. However, KPMG have undertaken a set of procedures to agree the financial information in this presentation to underlying information supplied by the Company. The directors believe that using these non-statutory financial measures appropriately represents the financial performance of the Group's operations. Details of the reconciliation of non-statutory to statutory results can be found in the Appendix to this presentation.

² FY12 assets and funds employed comprised of balances from continuing operations only.



Distribution response

Costs & Balance Sheet Initiatives

- We have significantly reduced costs throughout 2012
- We have achieved a lower cost to serve
- The latest fixed cost review concentrated on reducing and simplifying support services
- We have closed 15 sites in low growth areas last year (28 over the last 2 years)
- Sale of Piping Systems (total proceeds from business and land sales ~\$100M)
- Closure of Oil & Gas Pipe business
- Reduction of 320 FTE's (excluding Piping Systems employees).
 - Saving ~\$30M annualised
- Significant run down in inventory during 2012

Distribution response



Market

- We continue to build organisational capability around the key themes of
 - Knowing when and how to compete
 - Focusing on the customer
 - Utilising our competitive advantages
 - Simplifying our support processes to allow increased focus on extracting value from the market
- Actively lifting pricing margins according to
 - Our market strategy
 - Environmental factors
 - And a deep understanding of market conditions
- Redeploying resources from low growth areas to high areas of growth
- Continuing to differentiate our product and service offers

“We believe we are the best full range local distributor and have an improving model against importers”

Summary



- Market continues to be impacted by mainly weak domestic activity
 - Non residential construction
 - Residential construction
- However, a number of major projects are currently being supplied in
 - Roads
 - LNG
- Some further projects are available in the resources and health care segments
- Volumes have improved and are expected to hold for the financial year
- Rebar order book continues to build and is 17% larger than 2011. A measure of the strength of civil construction and the current project pipelines
- Significant leverage to improved demand and lower AUD



Appendix

Some OneSteel Distribution major projects – current or awarded



NSW

- Park Lane – One Central Park
- Sydney University
- Barangaroo
- Northern NSW Pacific Highway upgrades

QLD

- Wiggins Island Coal Terminal
- GLNG Curtis Island
- APLNG Project

VIC

- Emporium
- Craigieburn Rail Maintenance Facility
- Cancer Hospital

SA

- Adelaide Hospital
- Elevated Roadway

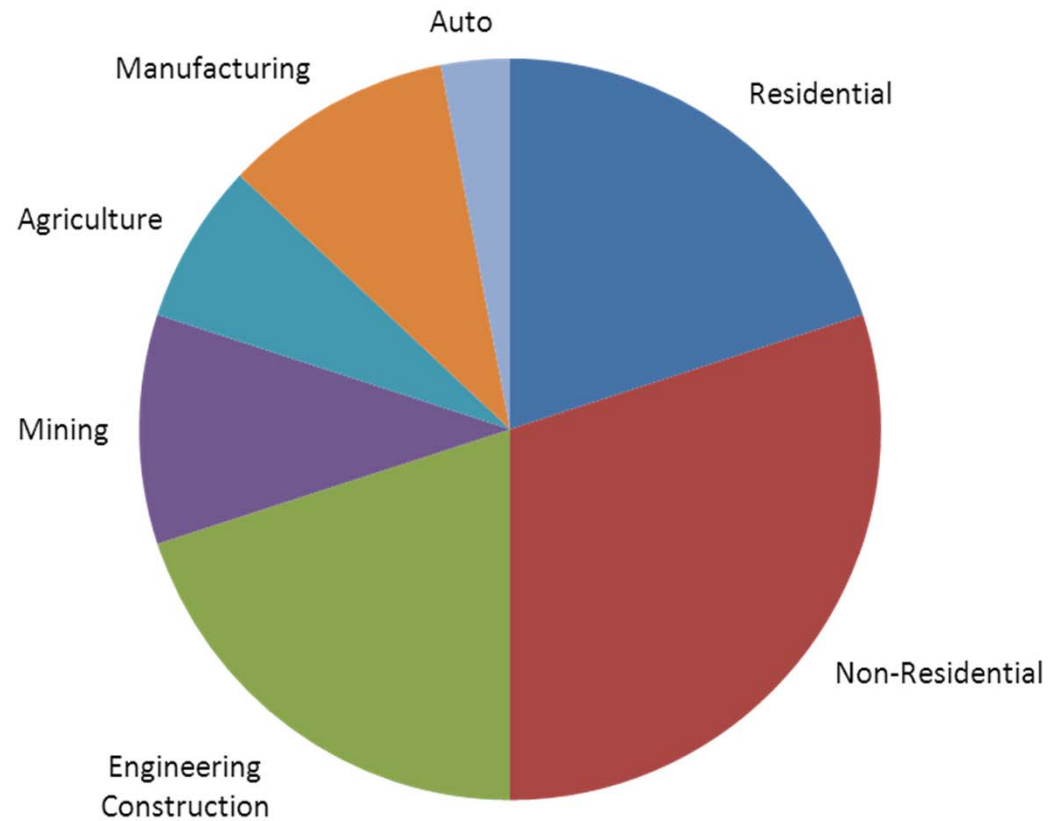
WA

- Solomon Dry Plant
- Finucane Island Port Expansion
- Chevron George Tie-in Steel

OneSteel Distribution domestic segments



Indicative FY12 Market Segment Profile



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Reconciliations



Reconciliation of segment underlying results from continuing operations to total consolidated segment results*

	Underlying results					
	2012			2011		
	Continuing operations	Discontinued operations	Total segment	Continuing operations	Discontinued operations	Total segment
MANUFACTURING						
Total Revenue/Income	2,589.4	8.2	2,597.6	2,418.2	7.7	2,425.9
EBITDA	53.2	(8.1)	45.1	(75.4)	(11.2)	(86.6)
EBIT	(40.0)	(9.9)	(49.9)	(172.0)	(12.6)	(184.6)
Sales Margin (EBIT)(%)	(1.5%)	(121.2%)	(1.9%)	(7.1%)	(162.8%)	(7.6%)
Assets	2,323.0	-	2,323.0	2,594.5	-	2,594.5
Funds Employed	1,822.4	-	1,822.4	2,042.1	-	2,042.1
Return on Funds Employed (%)	(2.1%)	-	(2.6%)	(8.4%)	-	(9.0%)

	Underlying results					
	2012			2011		
	Continuing operations	Discontinued operations	Total segment	Continuing operations	Discontinued operations	Total segment
AUSTRALIAN DISTRIBUTION						
Total Revenue/Income	2,285.6	150.0	2,435.6	2,191.2	247.4	2,438.6
EBITDA	32.4	(14.6)	17.8	38.6	1.0	39.6
EBIT	6.1	(16.0)	(9.9)	11.0	(0.8)	10.2
Sales Margin (EBIT) (%)	0.3%	(10.7%)	(0.4%)	0.5%	(0.3%)	0.4%
Assets	1,305.2	-	1,305.2	1,485.1	-	1,485.1
Funds Employed	989.2	-	989.2	1,133.6	-	1,133.6
Return on Funds Employed (%)	0.6%	-	(0.9%)	1.0%	-	0.9%

*Underlying results for the Mining, Mining Consumables and Recycling segments are from total operations which are equivalent to the underlying results from the continuing operations of each segment. Segment underlying results from continuing operations are equivalent to those reported in the 2012 Full Year Financial Report.



OneSteel Manufacturing

Leo Selleck – Chief Executive OneSteel Manufacturing



Contents

- OneSteel Manufacturing overview
- Focus and deliverables
- Value proposition and key drivers of performance
- FY12 performance overview
- Cost and operational improvement
- Management focus FY13
- Summary
- Appendix – product range



Overview

- The OneSteel Manufacturing segment comprises the following business units:
 - Whyalla Manufacturing (excludes Mining)
 - Rod and Bar
 - Wire
 - Australian Tube Mills

- All of OneSteel Manufacturing production facilities are located in Australia



Business unit overview*

- Total Sales tonnes ~2.2MT
- Over 3,000 employees
- Over 1,000 customers
- 11 sites in Australia

- 50% sales internal to OneSteel Distribution
- Major Raw Materials: Onesteel Recycling Scrap, Arrium Pellet/Ore, External Scrap, External Coal, External HRC

Whyalla	Rod and Bar	Wire	Tube Mills
<ul style="list-style-type: none"> • Blast Furnace • Basic Oxygen Steelmake (BOS) • Combi-Caster • Billet Caster • Structural Mill • Rail 	<ul style="list-style-type: none"> • Sydney EAF • Laverton EAF • Sydney Bar Mill • Newcastle Rod Mill • Laverton Bar Mill • Laverton Rod Mill • Newcastle Conti-Stretch facility 	<ul style="list-style-type: none"> • Newcastle Wire Mills • Geelong Wire Mill • Jindera Wire Mill 	<p>Structural Mills</p> <ul style="list-style-type: none"> • Acacia Ridge Tube Mills • Somerton Tube Mills • Newcastle Tube Mills <p>Precision Mills</p> <ul style="list-style-type: none"> • Sunshine Tube Mill • Kwinana Tube Mill
<p>Products Produced:</p> <p>Blast Furnace – Iron</p> <p>BOS - Liquid Steel</p> <p>Combi-Caster – Slab</p> <p>Billet Caster – Billets (inc specials)</p> <p>Structural Mill – Hot Rolled Structurals</p> <p>Rail – Head Hardened, Plain Carbon and Sleepers</p>	<p>Products Produced:</p> <p>EAFS – Billets</p> <p>Bar Mills – Merchant Bar (rounds, angles, channels, flats, squares) , Reinforcing bar and Roof bolt</p> <p>Rod Mills – Reinforcing rod, rod for wire, small rounds, coiled and straight rod, Conti-Stretch rod coils</p>	<p>Products Produced:</p> <p>Manufacturing wire</p> <p>Rural posts and fencing</p> <p>Wire ropes feed</p> <p>Steel in Concrete wire</p>	<p>Products Produced:</p> <p>Structural pipe and RHS</p> <p>Precision tube</p>

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*All figures based on FY12 data



Key markets, products and brands

Market	Products
Steel in Concrete	Reinforcing bar, reinforcing mesh, reinforcing wire, continuously-stretched rod coil
Distribution/ASI	Hot rolled structural and merchant bar
Mining	Grinding bar
Structural & Precision Tubing	Structural pipe and tube, precision tube
Rail and Sleepers	Plain carbon rail , head hardened rail and steel sleepers
Rural	Fencing wire, posts and accessories
Manufacturing	Various bar, rod and wire products



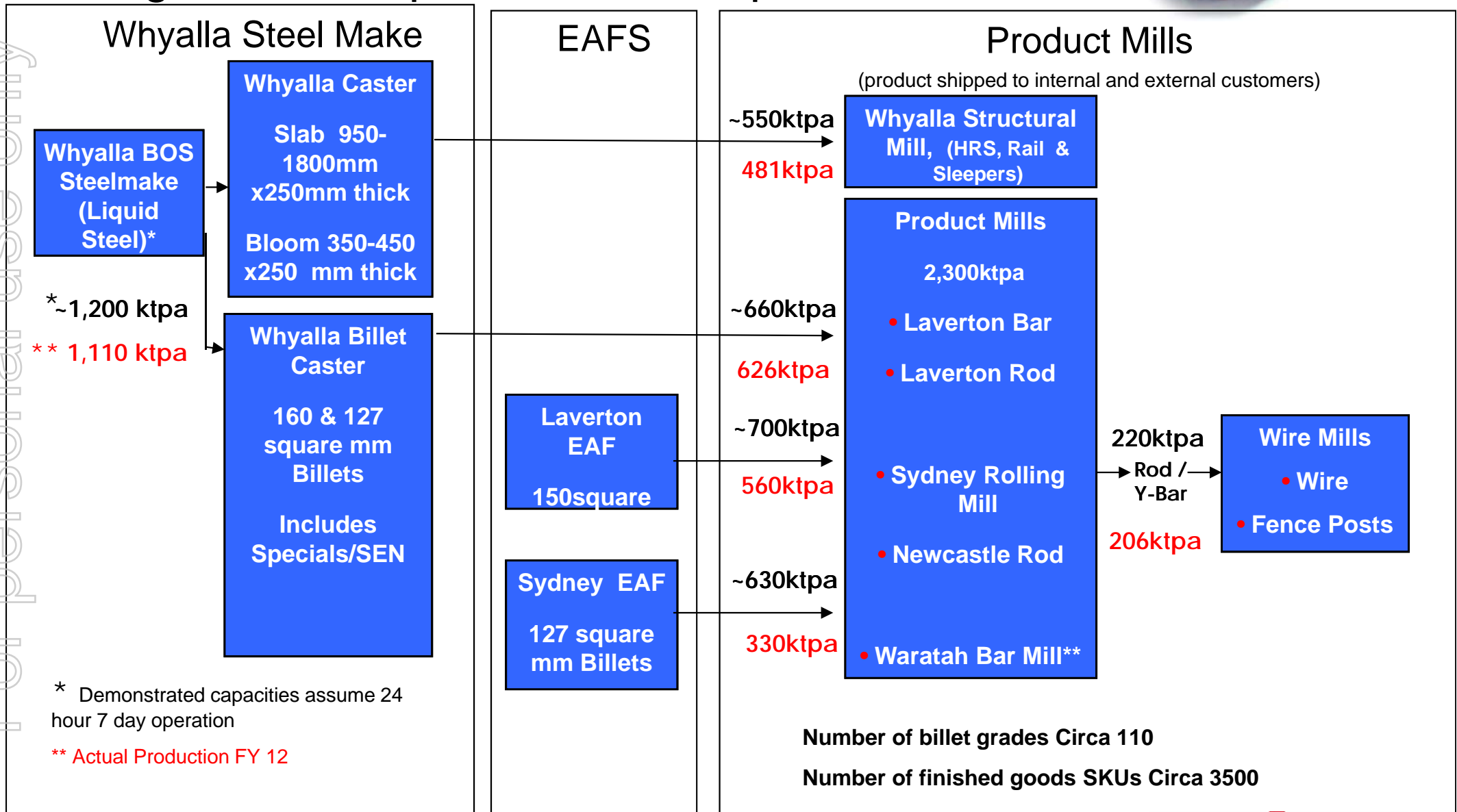
*Refer to appendix for further detail



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Integrated steel product flow map



* Note FY12 Whyalla BOS Steelmake actual production effected by the BF Reline July 11 of ~60kt

** Note Waratah Bar Mill forms part of the Mining Consumables business however bar product is toll processed for OneSteel Manufacturing

*** Note the above product flow map excludes the non-integrated Tube Mills business

Focus and deliverables



Strategic deliverables

- Customer/market
 - To have value propositions in our long products suite that are superior to our customers' next best alternative and deliver excellent customer outcomes against these promises.
 - To hold or grow volume through share growth in a competitive international environment
 - Maximise new revenue growth opportunities (e.g. Natsteel)
- Costs and cash
 - Lower our total delivered costs so that we compete effectively.
 - Continue to reduce Working Capital and keep capital expenditure to ~50% of depreciation
- Organisational capability
 - Build an organisation of capable people committed to delivering business outcomes
- Safety
 - Reduce significant High Potential events by increasing capability to recognise, assess and manage risk whilst reducing MTIFR by 30% year on year. Increasing leadership and employee accountability to ensure appropriate safety standards are implemented and adhered to is a key focus area

Our value proposition



- We offer a fast, flexible and reliable value proposition to our customers when compared with importers. Our target aim is for 95% difot performance across our segments reliably
- As Australia's leading long products producer we can provide local service and advice
- Complete long products product range, leading market positions and brands
- Wholly owned value chain – raw materials through to end customer which enables superior customer delivery and reliability
- Ability to flex production between EAF and Integrated
- Ability to meet tight standards and specifications
- National supply chain network
- Flexibility in product manufacture – ability to roll specialised lengths to meet our customers needs
- Core metallurgical expertise – ability to produce specialised steel grades
- In-house structural engineering team who work closely with customers to optimise steel design to align with core customer outcomes



Key drivers of business performance

External

- Domestic market conditions – construction, mining, rural, rail and manufacturing
- Economic variables – including FX rate, scrap, coal, iron ore, alloys and utilities e.g. electricity and natural gas, interest rates
- Timing and size of large infrastructure projects
- International market conditions and steel supply/availability especially in SE Asia and recently Europe
- Import pricing
- Availability of cash and credit to our customers
- Freight costs
- Importation of prefabricated components
- Australian seasonal impacts on construction and rural markets
- Tax environment – new home buyers grants, depreciation allowances, anti-dumping, Carbon Tax



Key drivers of business performance

Internal

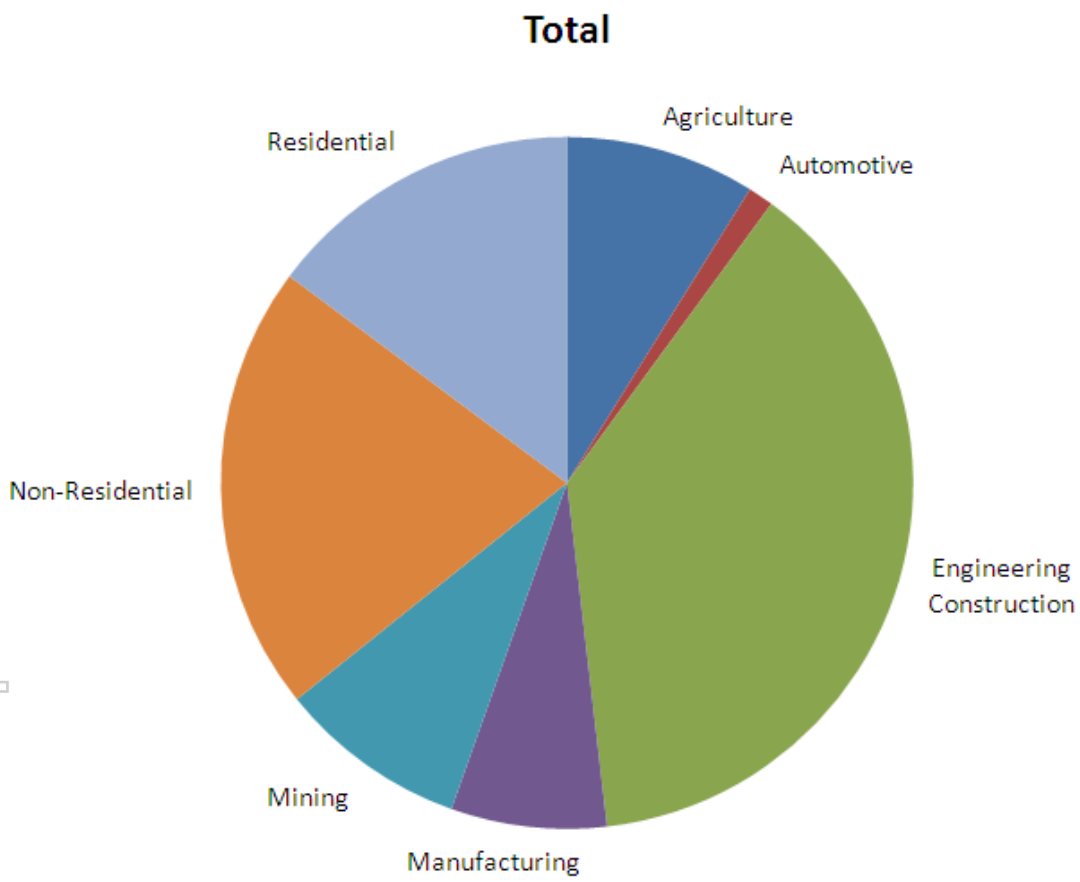
- Living the two Arrium core values of Safety and Customer
- Superior value propositions - superior service, solutions, delivery and understanding of our customer needs
- Price management including the flow through of raw material cost movements
- Operational excellence – throughput rates, reliability/availability and yields
- Cost management - labour productivity, overhead management, R&M, sourcing and procurement strategies
- Supply chain management – ability to accurately forecast future sales, match our footprint with demand, adhere to production schedules and deliver on time across the value chain
- Cash management – capital expenditure and working capital ratios
- Organisational effectiveness and people capability



Key market drivers

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Manufacturing domestic sales by market segment



- ~75% of Manufacturing revenue is driven by construction

Residential, non-residential and engineering construction (incl. mining investment) drives demand for reinforcing bar and wire, rod for mesh, structural pipe, HRS and rail

Agriculture drives demand for rural wire, rural posts and rural pipe products

Mining production drives demand for grinding bar which is feed for grinding media

Manufacturing has limited exposure to automotive and manufacturing segments

Total sales tonnes FY12 approx 2.2MT including ~75kt of export

* Based on FY12 estimate

FY12 performance overview*



Safety

- Good performance in ATM / Wire / Laverton businesses
- HPIs being observed and resolved in a systemic way

DIFOT / Forecast Accuracy

- Improved difot with record low working capital at June 12
- Improved forecast accuracy has led to improved supply chain and working capital management

Sales Volumes

- Sales revenue up 7% from FY11 to \$2,598m in FY12 – improved volumes off a low base

Margins

- Overall finished goods sale prices versus raw material movements were unfavourable driven by a stronger AUD/USD X-rate in FY12 and higher raw material costs

Market and Customer

- NatSteel/Best Bar appointed as a distributor Q1 FY13

Operations

- Sound operations, optimised facility manning, and lower conversion costs in most areas
- Blast furnace operating well

Costs

- Significant reduction in operating costs, overhead and yield/raw material improvements FY12 vs FY11
 - \$21m in labour costs (~\$45m annualised – 407 FTEs)
 - Australian Tube Mills transformation
 - LST/USA closure
 - Reliable operations
 - Facilities crewing resized for market demand

Financials

- FY12 underlying EBITDA \$19m loss vs \$87m loss FY11
- +\$19m underlying EBITDA H2 FY12
- A \$57m EBITDA turnaround from H1 12 underlying EBITDA of negative (\$38m) driven mainly by cost reductions
- Record low working capital days and dollars

Organisational Development

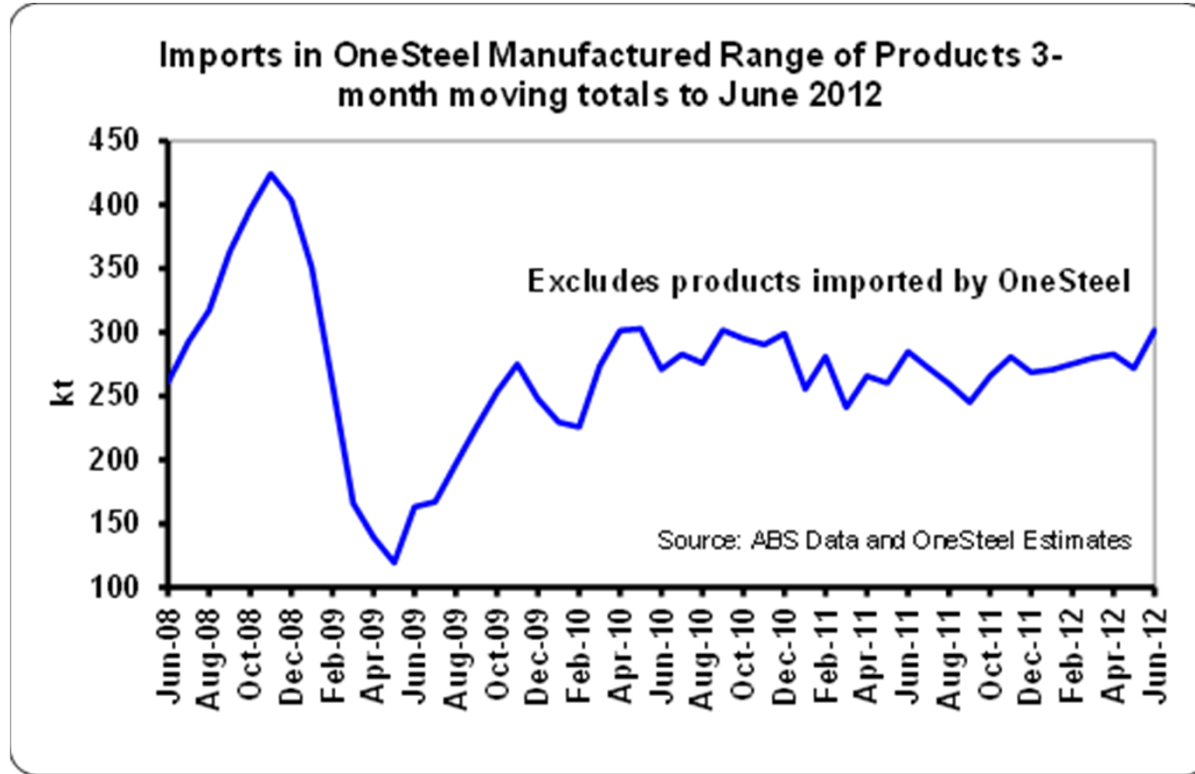
- New lead team in place
- OneSteel Operating System gaining traction



FY12 underlying EBITDA result of negative \$19m remains an unacceptable and unsustainable result

*Except as otherwise expressed, references to underlying results in this presentation are underlying results of total operations (includes continuing and discontinued operations). Non-statutory financial measures referred to in this presentation, including underlying results and ratios based on underlying results, have not been audited or reviewed as part of KPMG's audit report on the full year financial statements. However, KPMG have undertaken a set of procedures to agree the financial information in this presentation to underlying information supplied by the Company. The directors believe that using these non-statutory financial measures appropriately represents the financial performance of the Group's operations. Details of the reconciliation of non-statutory to statutory results can be found in the Appendix to this presentation.

Australian steel imports



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Major costs FY12

Top 10 cost categories (descending order)

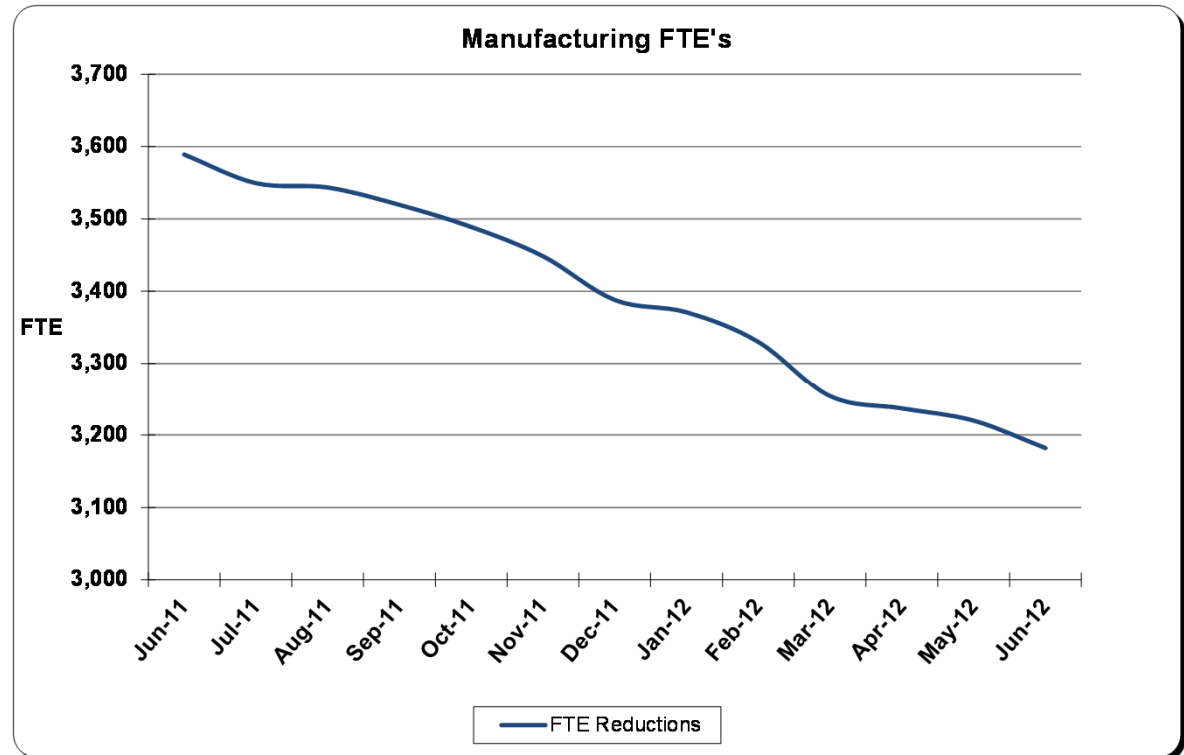
- Scrap
- Coal
- Hot roll coil
- Ore
- Labour
- Freight
- Utilities
- Repairs and maintenance
- Operating materials
- Alloys



FY12 cost initiatives

Major cost reduction areas FY12:

- Operational cost and yield savings
- Raw material usage and mix
- Procurement and sourcing initiatives
- Labour
- R&M



•407 FTE reductions including contractors completed by June 12 delivering \$21m in FY12 (\$45 million annualised)

Cost and operational improvements



- Manufacturing has undertaken a comprehensive review of its facilities and footprint focusing on:
 - Opportunities to improve returns by closing unprofitable businesses or resetting the fixed cost base
 - Realigning capacity and footprint to changing market volumes and conditions
 - Opportunities to generate cash

- Decisions to divest, rationalise or close various businesses
 - LiteSteel™ Technologies closures, USA and Australia
 - Reduced crewing levels across Rod & Bar
 - Tube Mills transformation plan
 - Various property sales in progress or underway

- Focus for integrated value chains shifting to improving product portfolio & segment returns and reducing complexity
 - Increasing available market volume (e.g. NatSteel & Best Bar supply)
 - Improving business alignment through integrated value chains and market channels
 - Removing unprofitable product and service complexity
 - Further resetting of cost structures to available market premiums by segment underway



FY12 cash management

- Debtors
 - Continued improvement in debtor days in FY12. No material bad debts
- Creditors
 - Continued improvement in creditor days in FY12 driven by improvements in purchasing systems and adherence to purchasing policies
- Inventories
 - Total OneSteel Manufacturing inventories during 2012 were the lowest on record for existing footprint as a result of improved supply chain management and operational reliability
- Net working capital
 - Total OneSteel Manufacturing net working capital lowest on record for existing footprint
- Capital expenditure
 - Total OneSteel Manufacturing capital spend of \$48m approx. 50% of depreciation



EAF utilisation

FY12

- Production levels at the Sydney and Laverton electric arc furnaces were slightly higher in the second half compared to the first half, but down compared to the prior corresponding period due to increased production at Whyalla. Average capacity utilisation for the EAFs was approximately 67%. Steelmaking was 890 thousand tonnes for Sydney Steel Mill and Laverton for the year. In Whyalla, steelmaking increased to 1.11 million tonnes compared to 910 thousand tonnes for the prior corresponding period largely as a result of the impact of the blast furnace repair work in the prior year

FY13

- Production levels at the Sydney and Laverton electric arc furnaces are expected to be approx 470kt for H1 13 and Whyalla Steelmaking approx 570kt for H1 FY13

Management Focus FY13



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Safety

- Focus on middle and lower management leadership skills and capability
- Embedding RAM principle (Risk, Assess, Manage) at all levels
- Behaviour – positive/negative consequences

New Revenue

- Maximise NatSteel opportunity
- Leverage opportunities from the complexity review
- Leverage channel opportunities with OSD
- Price and margin management

Customer

- Forecast accuracy/demand planning improvements
- Focus on big D Difot
- Cross business OSD/OSM planning improvements

Costs

Major cost reduction projects include:

- Labour reductions
- Raw Material usage & energy
- Procurement
- Capital expenditure benefits
- Freight
- R&M
- Complete balance of ATM Transformation
- Overhead cost reduction review

Portfolio Management

- Product and Markets Complexity Review

Cash

- Further working capital reductions driven by improved planning
- Property Sales
- Capital spend range \$40 to \$45m continuing 50% depreciation



Summary

- We recognise that good gains have been made recent times but returns and cash generation remain unacceptable
- We need to sustain lowered fixed cost base and pursue further opportunities to reduce costs by removing complexity & waste and improving manufacturing reliability and our supply chain
- We need to sustain recent working capital improvements while improving customer service and continue low levels of capex (~ 50% of depreciation)
- We need to maintain and improve market share by offering customers better value than our competitors
- We need to continue to improve in the areas of our two core values – Safety and Customer
- Significant leverage to improved demand and lower AUD



Appendix

Market – Hot Rolled Structural & MeBar



Sectors

- Engineered construction
- Residential construction
- Non-residential construction
- Transportation
- Automotive
- Original equipment manufacturers
- Rural
- Mining



Market – Hot Rolled Structural & MeBar



End use applications

- Industrial Buildings
- Mining Investment
- Infrastructure
- Multi-story buildings
- Retail Outlets
- Airport terminals, Hospitals
- Stadiums
- Schools



Market – Steel in Concrete



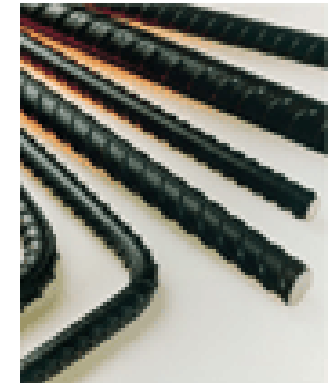
Sectors

- Engineering construction
- Residential construction
- Non-residential construction



End use applications

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



Market – Mining



Sectors

- Coal - open cut & underground
- Metalliferous

End use applications

- Dragline & shovel ropes
- Strata control bolts & mesh
- Cable belt & rollers
- Overland conveyors
- Ore processing



Market – Manufacturing



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



Market – Rural



Sectors

- Livestock
- Horticulture
- Industrial
- Hardware

End use applications

- Farm fencing
- Cattle, sheep & horse fencing
- Feral animal fencing
- Trellising posts & wire
- Fencing & trellising accessories
- Grain storage



Market – Structural and Precision Tubing



Sectors

- Engineered construction
- Residential construction
- Non-residential construction
- Transportation
- Automotive
- Original equipment manufacturers
- Rural
- Mining



End use applications

- Houses
- Bridges
- Multi-story dwellings
- Airport terminals
- Stadiums
- Schools



Market – Rail and Sleepers



Sectors

- Freight
- Mining
- Passenger
- Rural (Grain)
- State and Federal Governments
- Local rail operators



End use applications

- Railways
- Turnouts
- Passenger lines
- National freight corridors
- Heavy haul lines
- Stabling yards





Reconciliations

Reconciliation of segment underlying results from continuing operations to total consolidated segment results*

	Underlying results					
	2012			2011		
	Continuing operations	Discontinued operations	Total segment	Continuing operations	Discontinued operations	Total segment
MANUFACTURING						
Total Revenue/Income	2,589.4	8.2	2,597.6	2,418.2	7.7	2,425.9
EBITDA	53.2	(8.1)	45.1	(75.4)	(11.2)	(86.6)
EBIT	(40.0)	(9.9)	(49.9)	(172.0)	(12.6)	(184.6)
Sales Margin (EBIT)(%)	(1.5%)	(121.2%)	(1.9%)	(7.1%)	(162.8%)	(7.6%)
Assets	2,323.0	-	2,323.0	2,594.5	-	2,594.5
Funds Employed	1,822.4	-	1,822.4	2,042.1	-	2,042.1
Return on Funds Employed (%)	(2.1%)	-	(2.6%)	(8.4%)	-	(9.0%)

	Underlying results					
	2012			2011		
	Continuing operations	Discontinued operations	Total segment	Continuing operations	Discontinued operations	Total segment
AUSTRALIAN DISTRIBUTION						
Total Revenue/Income	2,285.6	150.0	2,435.6	2,191.2	247.4	2,438.6
EBITDA	32.4	(14.6)	17.8	38.6	1.0	39.6
EBIT	6.1	(16.0)	(9.9)	11.0	(0.8)	10.2
Sales Margin (EBIT) (%)	0.3%	(10.7%)	(0.4%)	0.5%	(0.3%)	0.4%
Assets	1,305.2	-	1,305.2	1,485.1	-	1,485.1
Funds Employed	989.2	-	989.2	1,133.6	-	1,133.6
Return on Funds Employed (%)	0.6%	-	(0.9%)	1.0%	-	0.9%

*Underlying results for the Mining, Mining Consumables and Recycling segments are from total operations which are equivalent to the underlying results from the continuing operations of each segment. Segment underlying results from continuing operations are equivalent to those reported in the 2012 Full Year Financial Report.



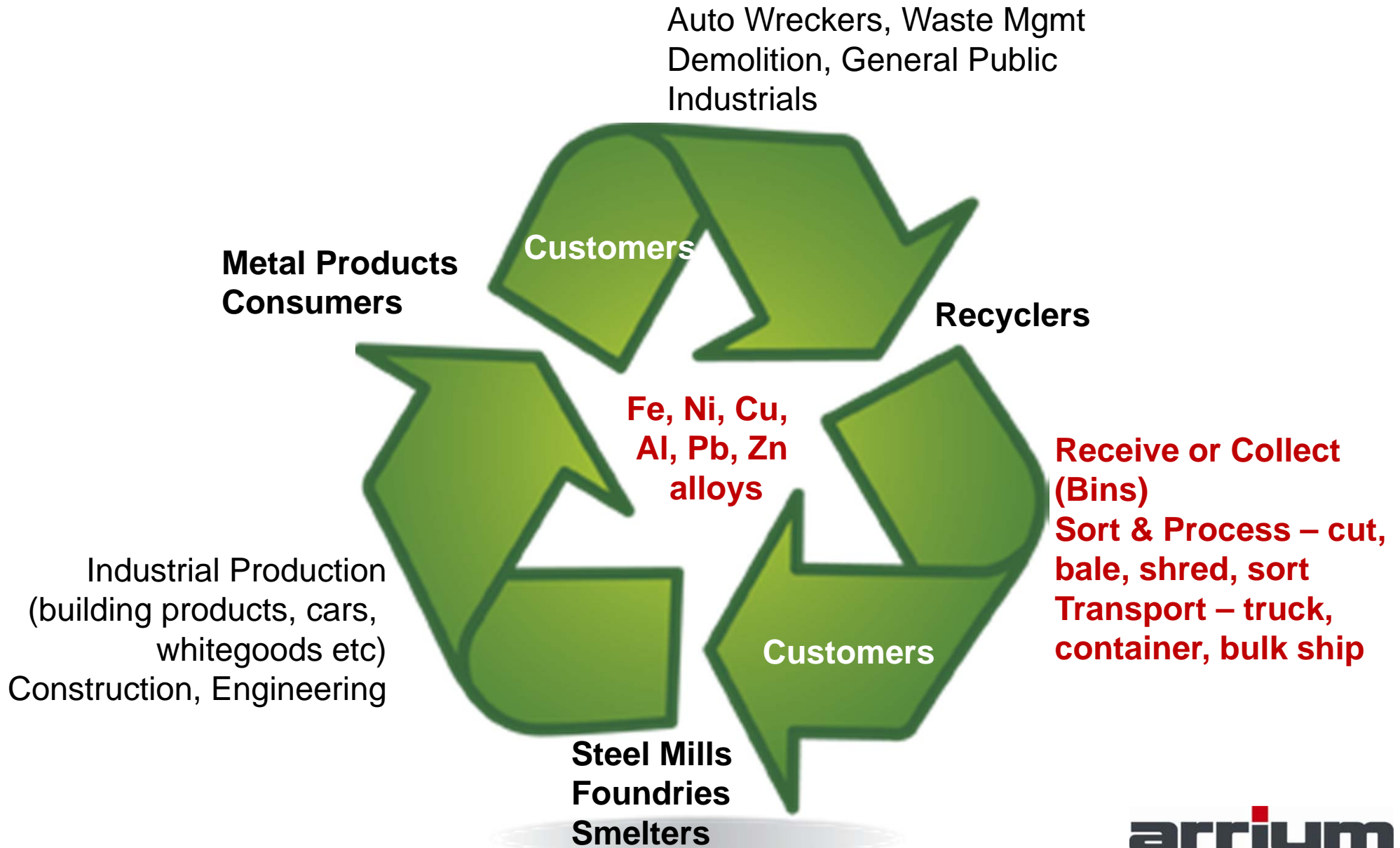
OneSteel Recycling

Geoff Feurtado – Chief Executive Recycling

Metals (re)cycle

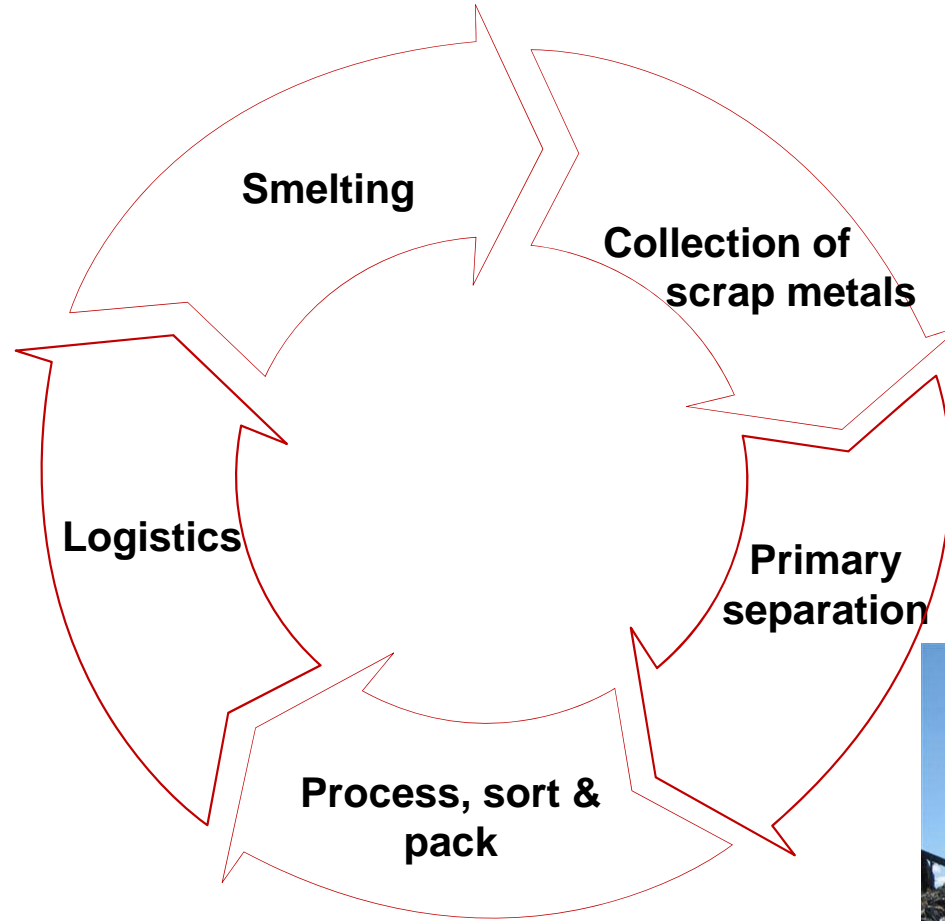


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OneSteel provides a full metal recycling circuit



Ferrous scrap flow



Materials Handling



Baler



Bales



Shredder



Shred



Shears



Heavy Melt



Steelmaking



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OneSteel Recycling has a comprehensive business matrix



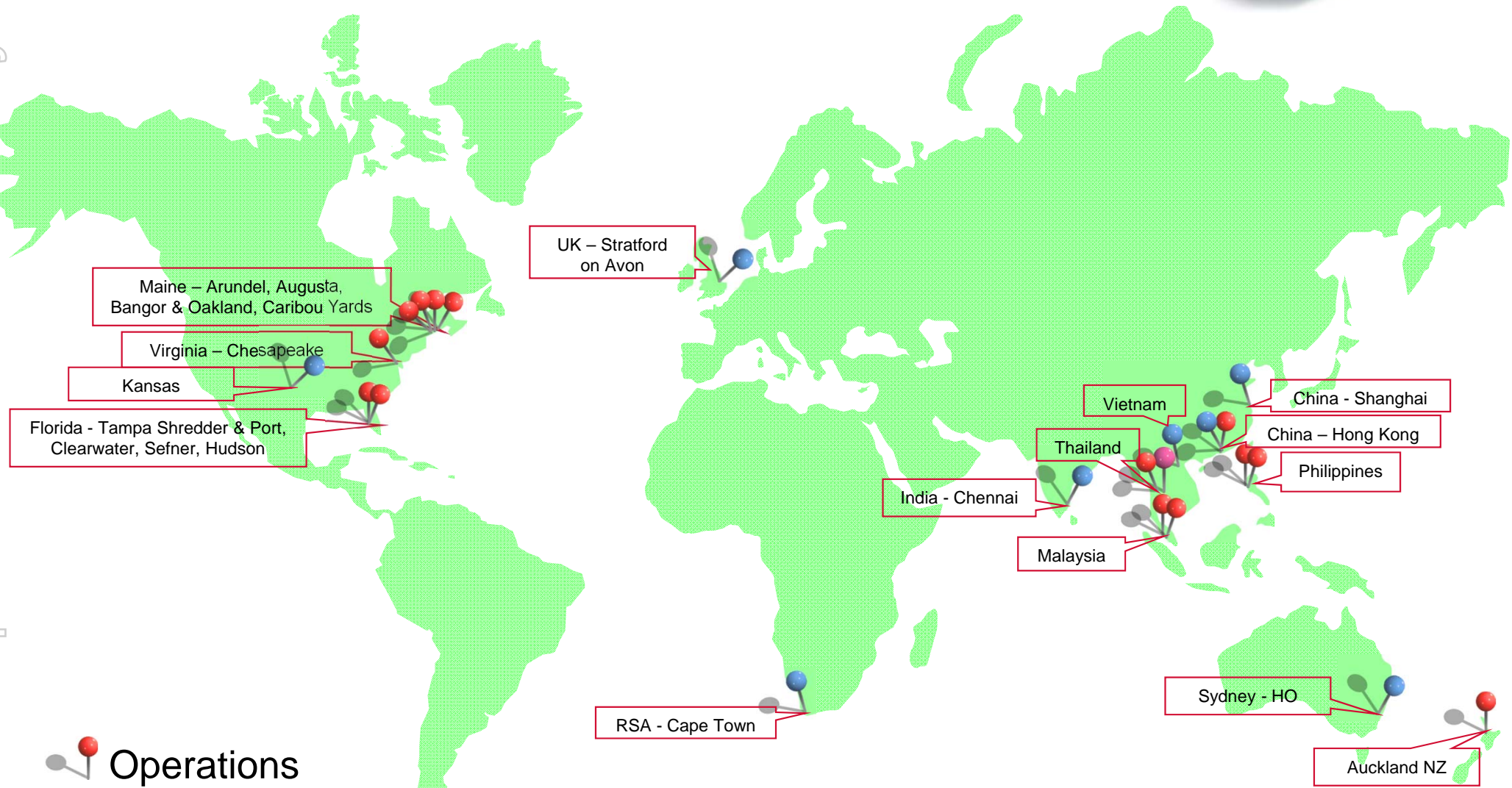
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	Australia/NZ	US NE	US SE	Asia
Ferrous	✓	✓	✓	✓
Shredders	x5	-	x1	1 x JV
Local Customers	Steel Mills	Recyclers	Steel Mills	Steel Mill
Export Customers	SE Asia	-	Turkey & Asia	-
Export Method	Bulk Ship Containers	-	Bulk Ship	-
Non Ferrous	✓	✓	✓	✓
Products	All plus Zorba	All	All plus Zorba	SS & Cu
Export Method	Containers	Containers	Containers	Containers
Trading				Hedged Brokerage

An international footprint aligned to key source and demand markets



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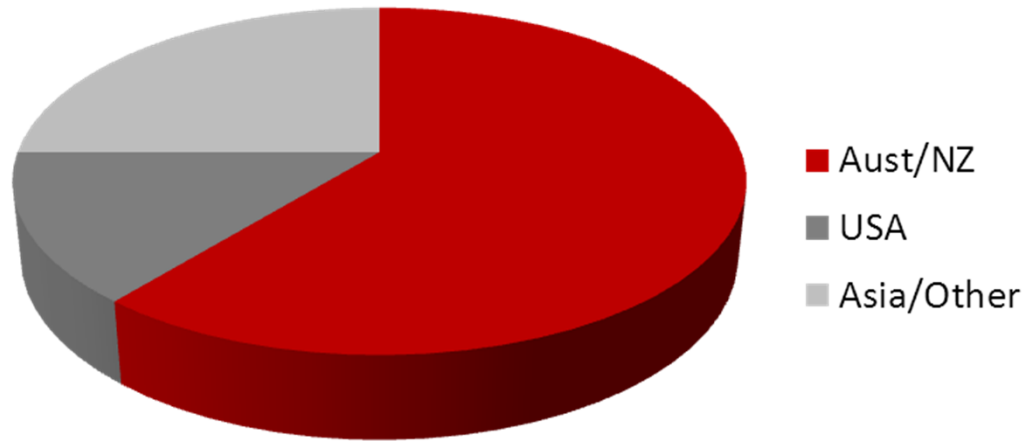
- Operations
- Joint Venture
- Trading Offices

Sub Agents – Turkey, Korea

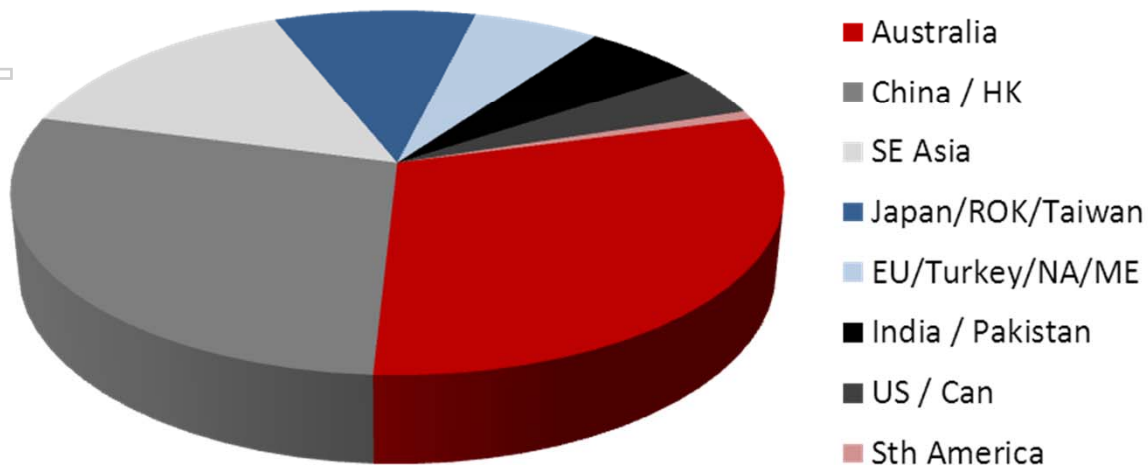
Revenue source and destination profile



Sales Revenue - Source
FY 12 \$1.6bn



Sales Revenue - Destination



Alignment to key markets

- Australia → Asia
- Australia → Downstream Mills
- US East Coast → Turkey

- Global trading presence
- Asian trading hub
- Asian physical presence

Business Environment



Macro

- Deterioration in sentiment driven by reassessment of global growth prospects
 - EU debt, US recovery rate
 - China moving to sustainable growth
- Domestic economy experiencing cyclical lows in key segments

Industry

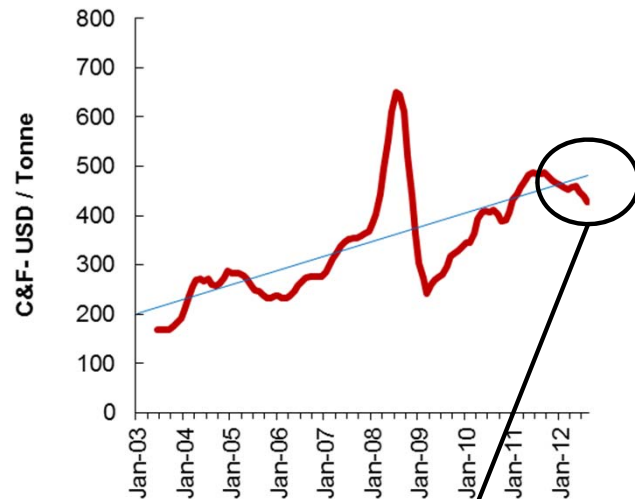
- Tight supply of scrap metals
 - 4 years of slower consumption reducing obsolete goods flow
 - Rationalisation of industrial activity
 - Reduced infrastructure/construction spend
- Recycling industry emerging in Asia
- Increasing use of containers for ferrous scrap transport

A long term positive picture for ferrous scrap prices but currently impacted by difficult economic conditions

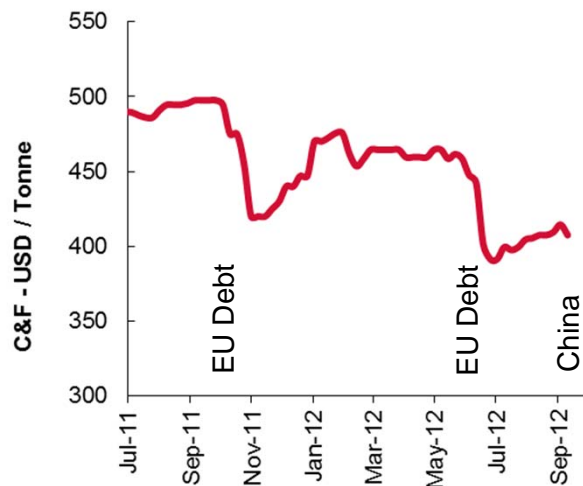


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Benchmark Korean HM1 Price
6 month moving average + linear trend



Benchmark Korean HM1 Price
Weekly Data



Positive long term trend, long term outlook remains favourable

Uncertain short term outlook, stalled market

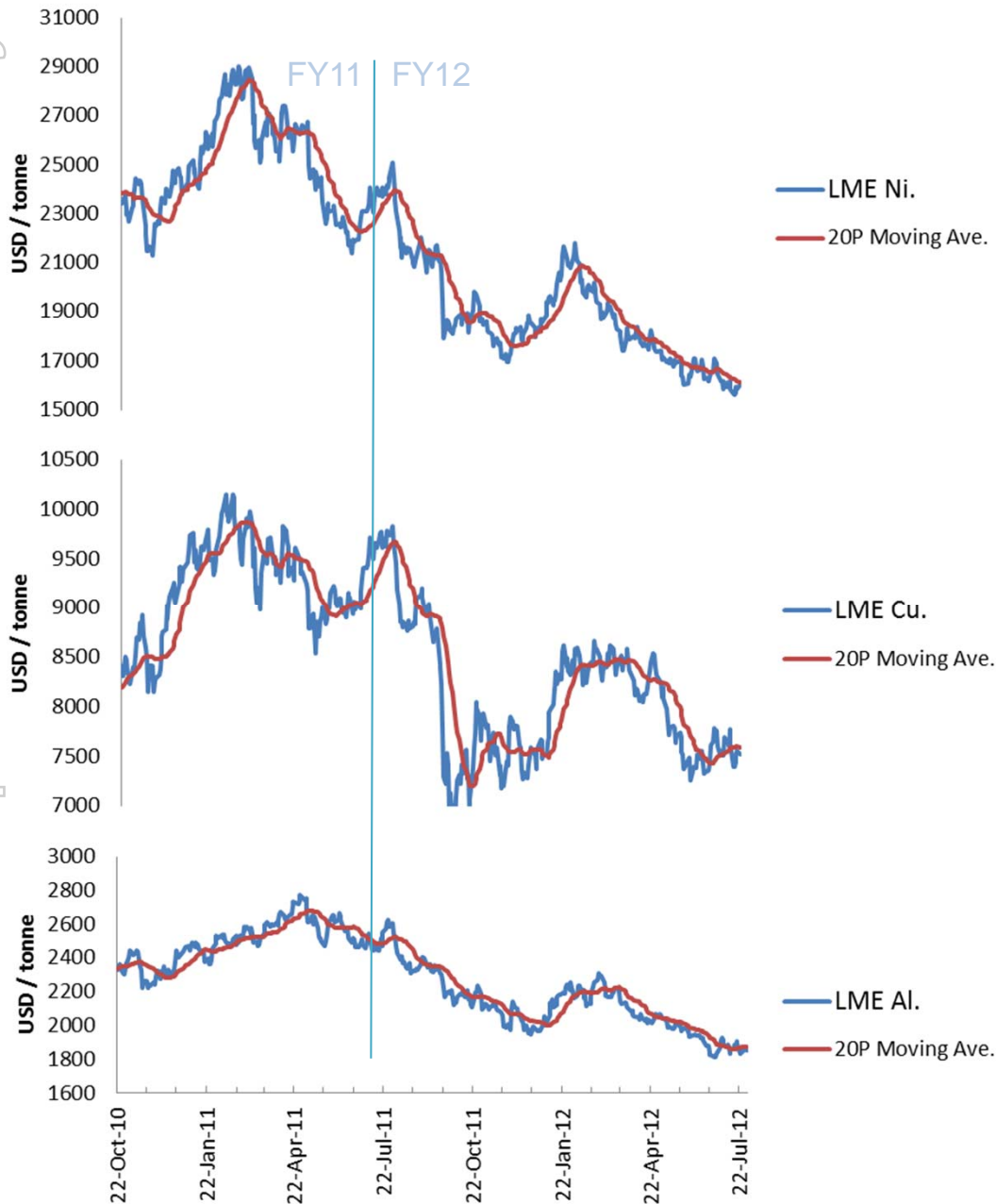
Negative price pressures

- EU and US economic pressures, China correcting
- Falling finished goods demand & Chinese exports drive falling steel prices
- Spot iron ore and coking coal price weakness
- EU scrap exports competing for markets

Positive price pressures

- Tight source supply as 4 years of reduced consumer activity (cars, whitegoods etc) impacts the supply chain
- Benign US winter pulled supply forward exacerbating current tightness in US
- Northern winter seasonality usually felt in Q3

Non ferrous markets track economic sentiment



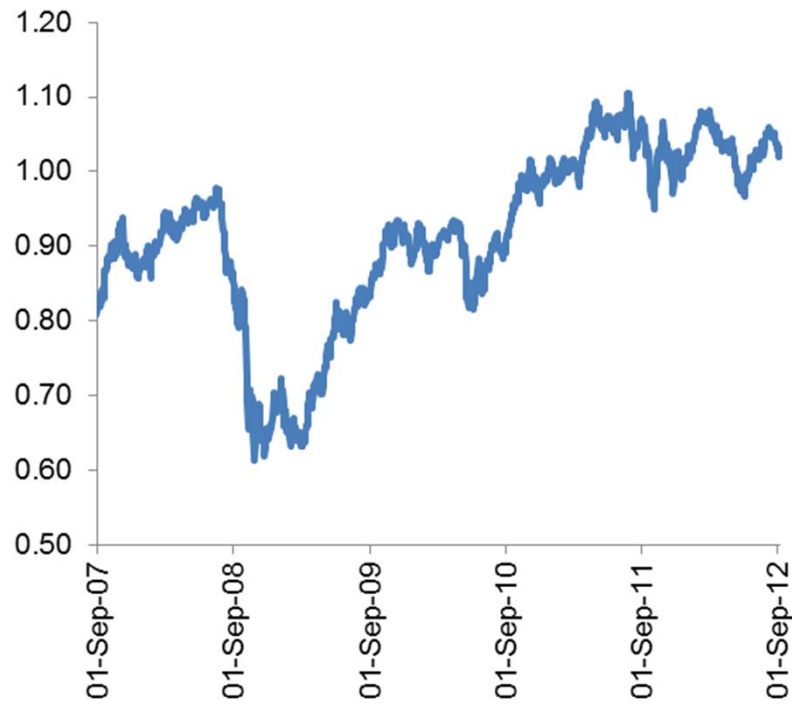
- Major markets trending down as they react to a slowing economic growth
- Sustainable growth levels in China and recovery in the EU and US suggest long term prospects remain positive
- Ni price overlays general uncertainty in stainless steel markets

A strong AUD has diluted USD earnings

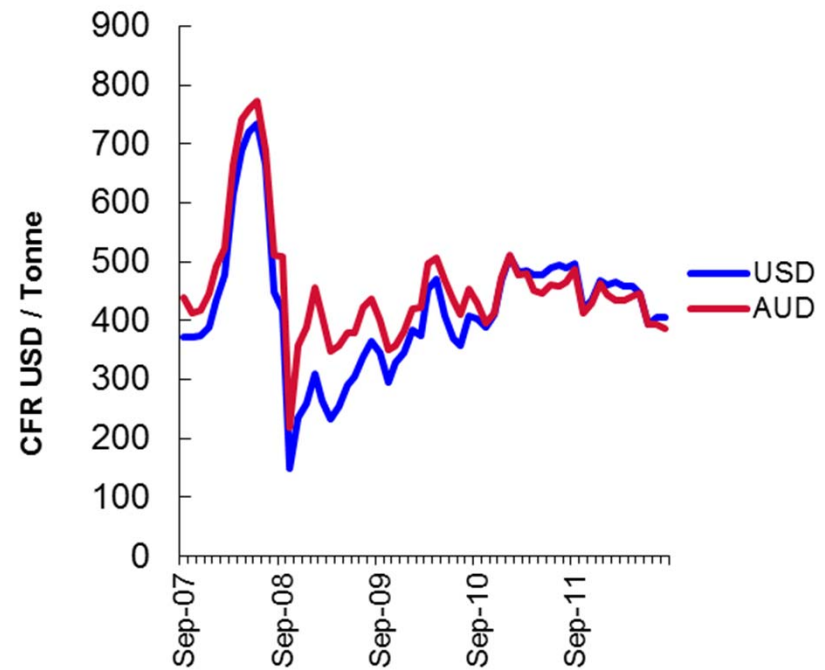


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USD Exchange Rate



Benchmark Korean HM1



Different circumstances are playing out in key regions



Australia

- Ongoing shake out of industrial production
- Domestic steel mills contracted
- Tightening of scrap supply
- Containerised scrap export channel
- Unfavourable policy settings
- Highly fragmented recycling industry structure

Australian recycling is undergoing a transformation

USA

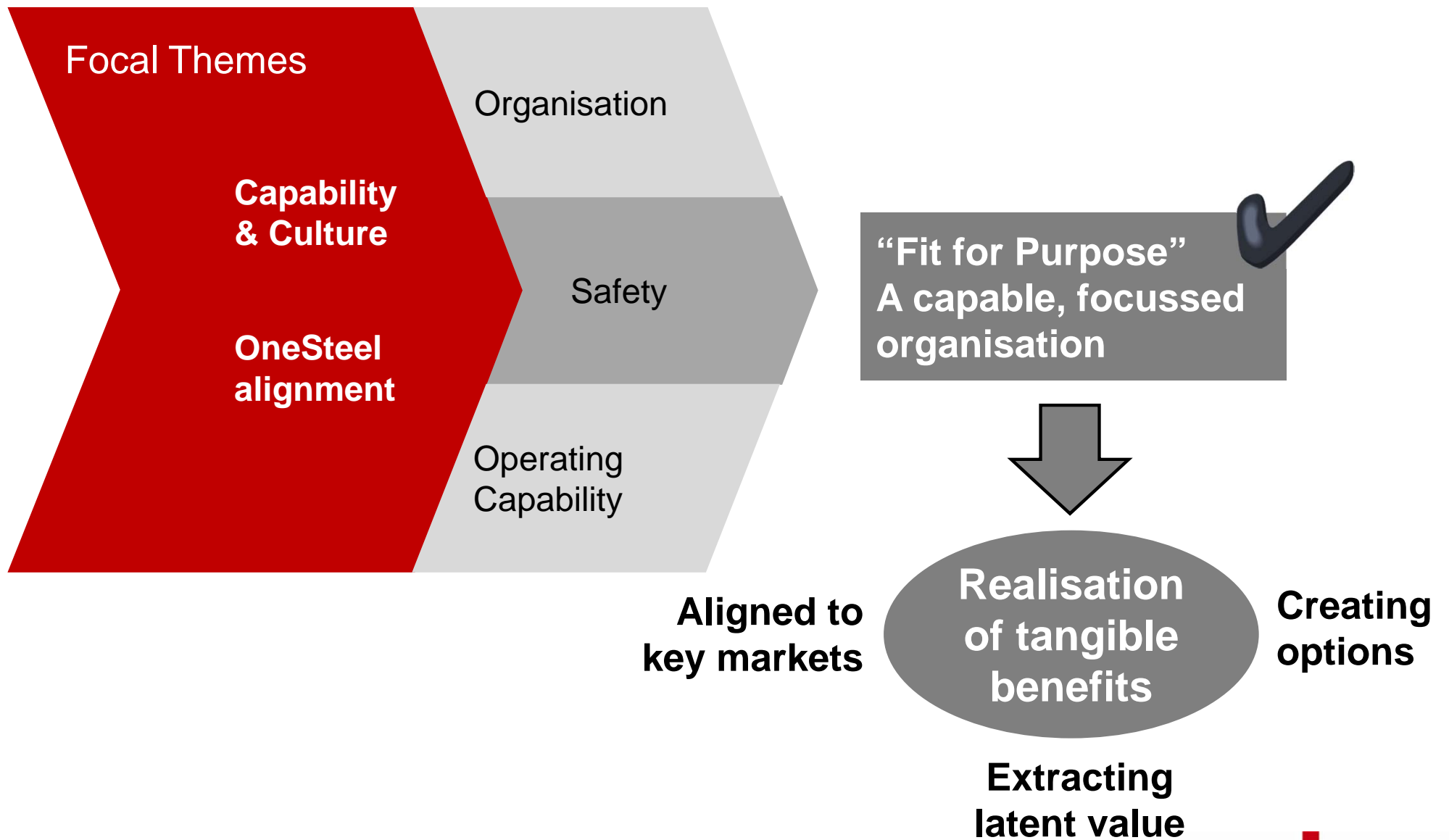
- Majors are large scale, complex businesses with a multitude of sites, shredders etc
- Majors are generally exposed to the old industrial heartland of the US and its restructuring

OneSteel is a tight, focussed business of relatively small scale with a very high customer experience focus



The journey so far has delivered a capable organisation

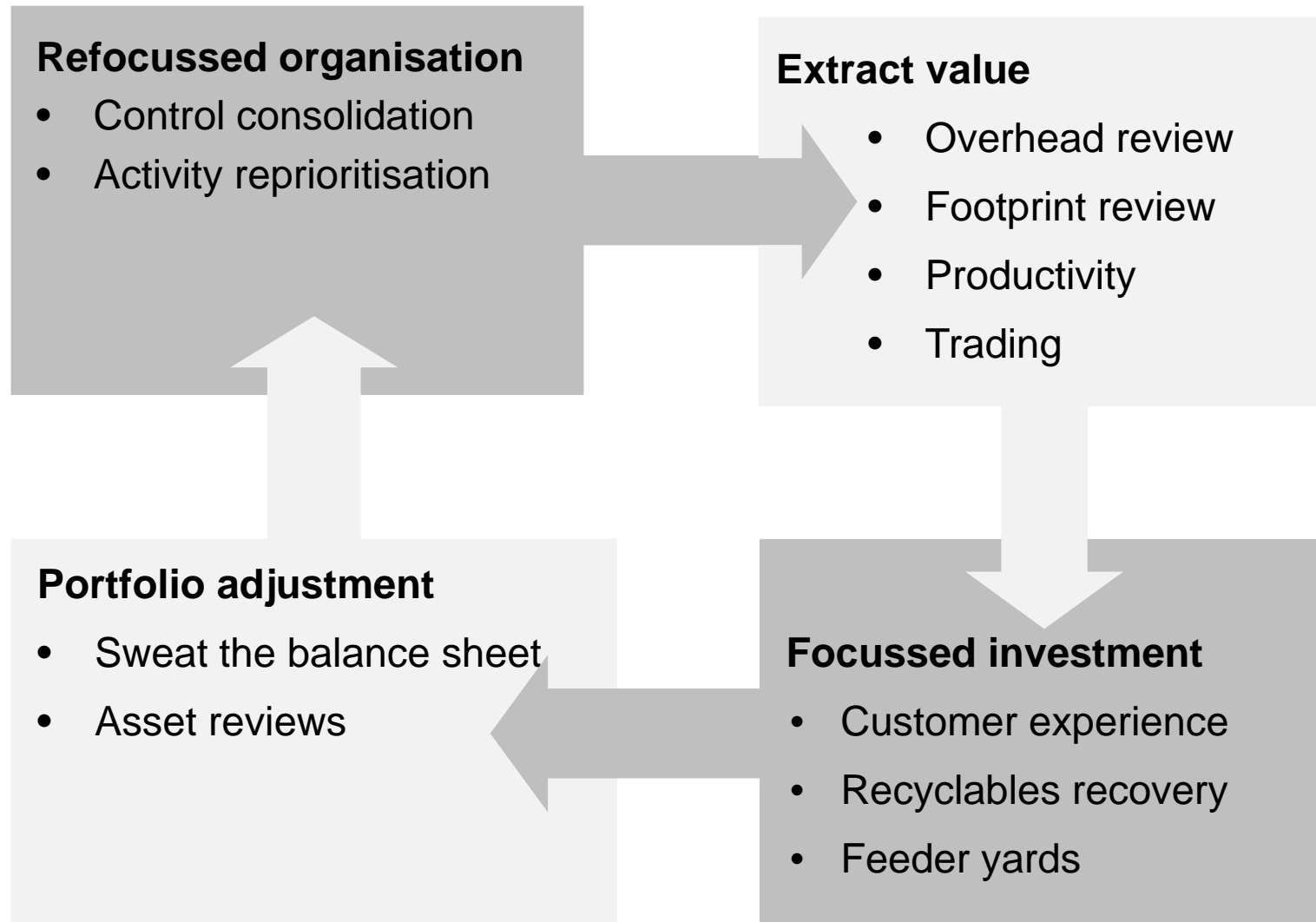
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Today - a considered response to uncertainty and change



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Extracting latent value

Organisation

- Focussed structure able to control the key levers of the business

Productivity

- 2012- \$10M in annualised benefits, 88 FTE's
- Equipment fleet and shredder utilisation gains
- Non ferrous shred recovery

Yard footprint

- 2012– yards closed, Padstow, Mildura, Corowa

New business models

- Static shears installed in Port Kembla and Townsville

Trading

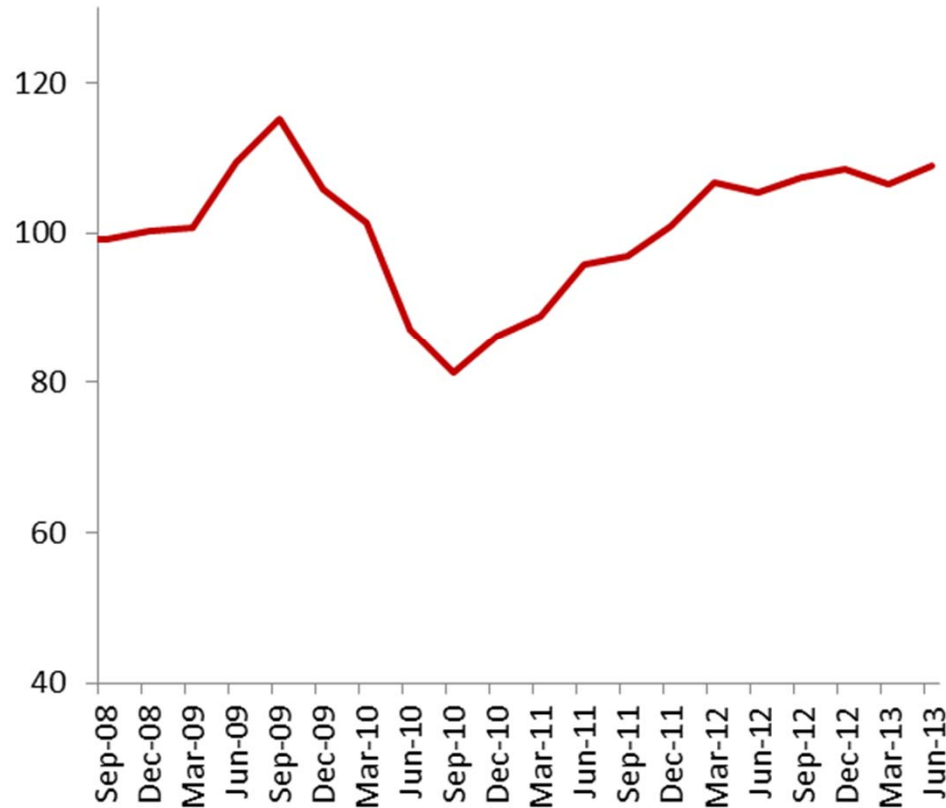
- Quality customer base
- Expanded offering: brokerage, copper, risk management tools
- Integration with OneSteel Distribution and Mining Consumables trading

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Trading focus has recovered intake volumes

Au & US Intake Index
4Qtr Moving Average



- Difficult economic and competitive environment post GFC
- Reset of steel mill demand
- Tightening scrap availability

Focus on trading deliverables

- Restoration of intake levels
- Modest growth

Data is a 4 quarter moving average

Zero Waste



First Wave

Investing in technology to improve metal recovery from the shredder waste streams – anticipate recovering 2% of the waste stream as metals. Fast payback.

- **Hemmant** – sensor sort technology and batch feeding
- **Laverton** – sensor sort technology and batch feeding
- **Tampa** – sensor sort technology, insulated copper wire recovery and fine particle screening



Sensor sort technology



Way forward

Latent value extracted

- Streamlined Australian and Asian footprints – focussed operations
- Simplified, lower cost operations
- Fit for purpose support structures

Trading positions leveraged

- Active trading hub in Asia
- Expanded product offerings
- Portfolio of risk management tools

Aligned to key markets

- In market presence - Australia, USA and Asia
- Exploiting alternate channels to market
 - Multiple transport modes
 - Activities located to best advantage

Options exercised

- Application of new technologies – working towards Zero Waste
 - Maximum recovery of recyclables and energy from the waste stream