

TATA STEEL

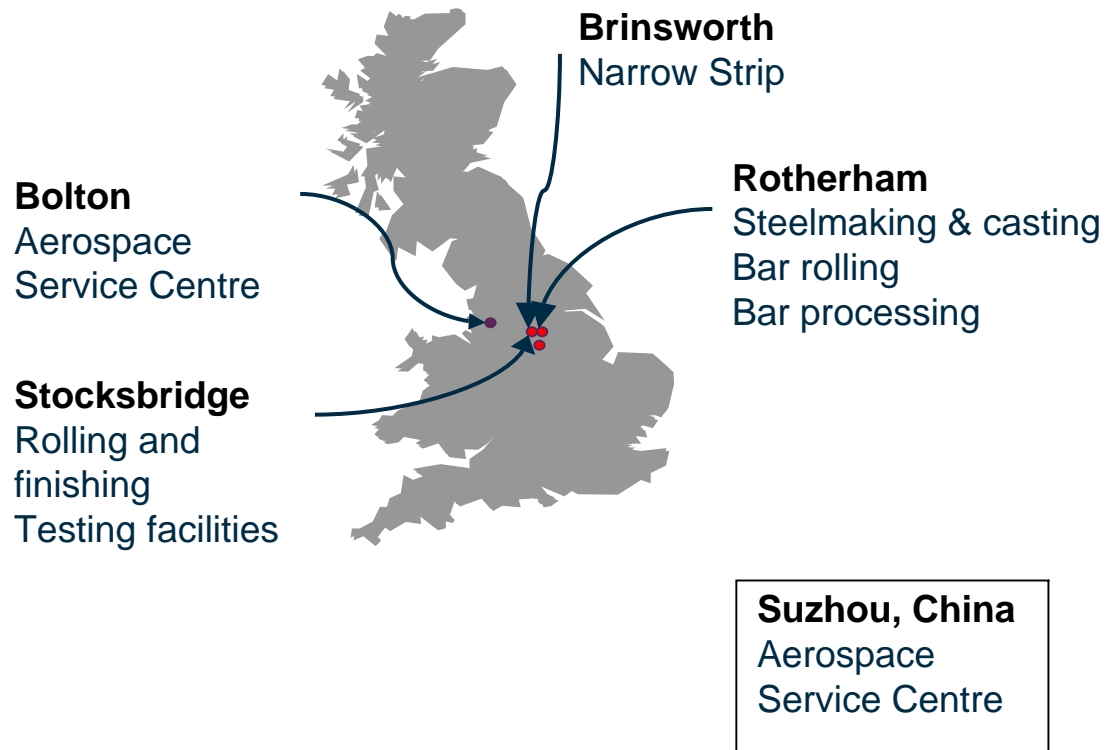


15 March 2011

In the rear view mirror: surviving the downturn and beyond.

Mark Broxholme
General Manager, Tata Steel Speciality

Tata Steel in South Yorkshire



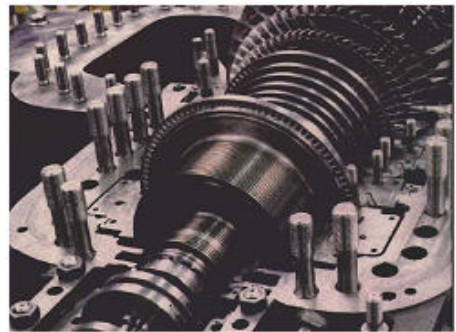
Tata Steel in South Yorkshire



- Steel making based on recycling steel scrap and melting in Electric Arc Furnaces



Product sectors



Surviving the downturn

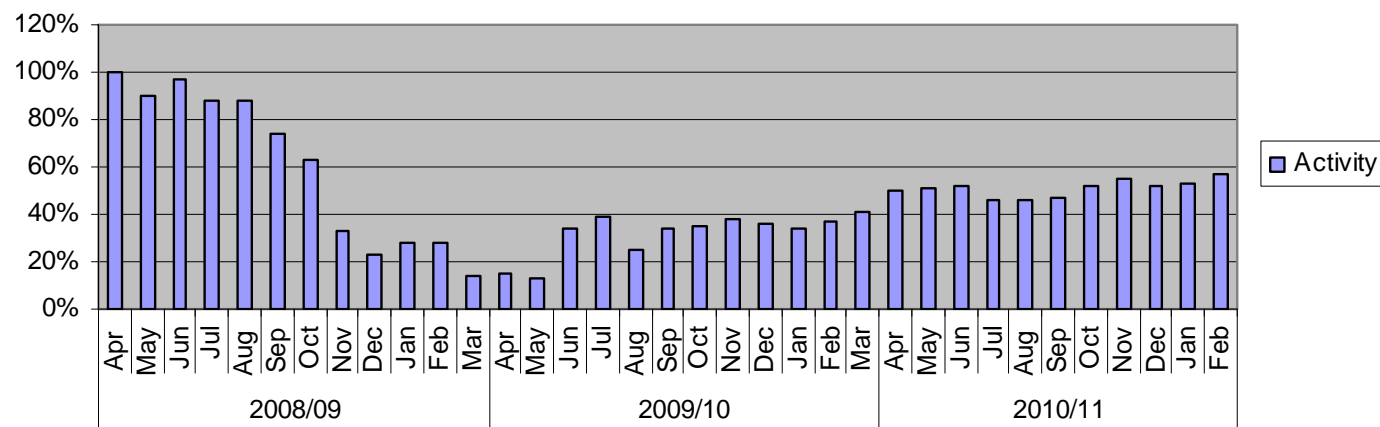


Pre-storm business

- Almost 3,500 employed
- c.1mtpa of sales
- Underperforming



Actual activity levels experienced during the recession



Changing the structure of the business – fixed costs

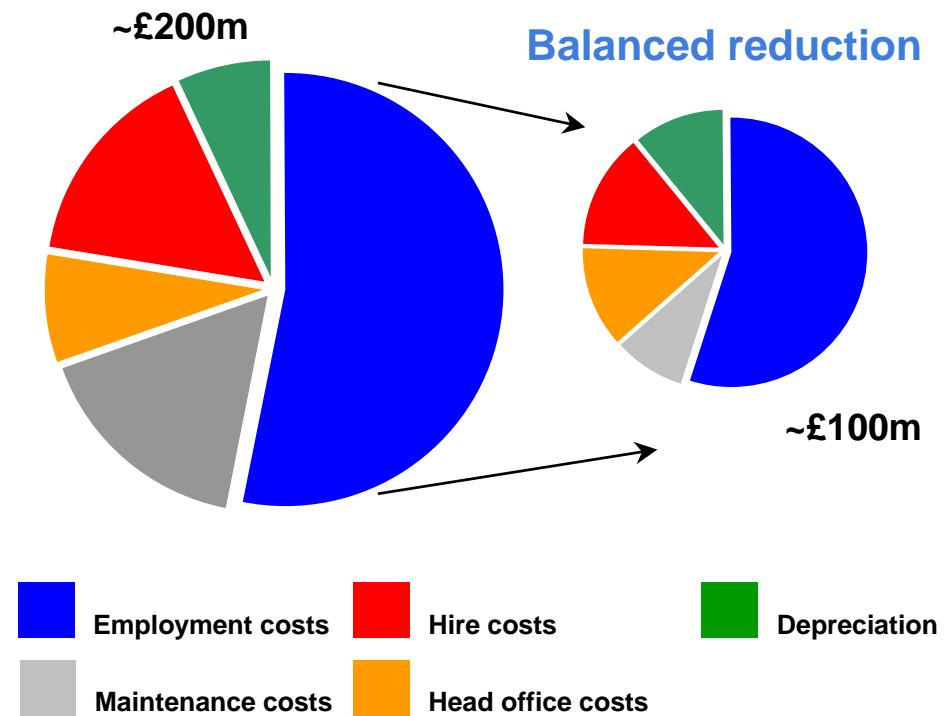


• Principles

- Dismantle 'big steel'
- Professional and closer functional cooperation
- Flexible operational manning models
- Manning to match future output requirements

• Implementation

- Engagement of all stakeholders (especially unions)
- No part of business left unchallenged
- Having the right people in key positions has been crucial
- Risk-based approach taken with planned maintenance



Engagement with major specialist contractors led to £10million savings

Engagement



- Open, consistent and regular communications
- Clear demonstration of viability of the plan
 - Business and local ‘bridges’
 - Everyone has a part to play
 - Regular update and feedback
- Weekly implementation meetings
- Weekly joint updates – management and unions

Keeping you informed

Important information for employees at Rotherham and Stocksbridge Issue 01 November 2009

Dear colleagues
As you know, we are committed to communicating with you in an open and honest way. You will have seen in the newflash last week that as a result of an increased order book we will be making fewer manning reductions than previously announced.

Whilst this is positive news for the business, it is important to remember that there will still be some employees facing redundancy. We will continue to support those colleagues through this difficult time.

This bulletin will give you an update on health and safety, our business performance and our market sector activity.

Furthermore, I want to celebrate some of our employee achievements in the local community.

Health and Safety
As reported in last month's edition of Keeping you informed, we are seeing a worrying increase in the number of injuries on site. To make sure that our health and safety is the number one priority for everyone in the business, all Speciality Steels employees should have now attended a 'Time Out for Safety' session. If you haven't, please contact your local Health and Safety adviser.

During this session you will have seen Keith's Story - Alive on Sunday. I'm sure you will agree that this was a thought provoking film that highlights the impact that injuries have, not only on your own physical and mental well-being, but also on your family, friends and work colleagues.

This month we have had two Lost Time Injuries within Speciality Steels. This is unacceptable and we have to take more care of ourselves and each other, whatever the circumstances in the business. Everyone is responsible for health and safety and we should all challenge any unsafe behaviour. Remember Keith's story.

Business performance
On a more positive note, you will see from the graph (Figure 1) that we broke even in October. This is an encouraging result and it was achieved thanks to your hard work and commitment during the past few months.

Figure 1 highlights that our EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) performance since April continues to be better than we had forecast. Whilst it is still critical that we achieve a breakeven EBITDA for Quarter 3 (October to December), we should not underestimate the effort required in Quarter 4 and beyond to make this a profitable and sustainable business that we are proud to work for. We have to get into profit AND stay there to have a secure future.

On 27 October, 75 of our leadership team (managers and trade union reps) got together to discuss what's important to the future of this business. We learned about our four markets and what they need today and in the future. We reflected on the contribution that everyone has made this year and what things we have to do in our business to be good enough to supply the best customer.

Financial forecast EBITDA
Engineering Steels Operating Results

The group came away from the day with homework. Everyone has to check their local goals and targets - are they still relevant and appropriate? We also agreed to develop a plan to improve some of our key business processes and as a result, we now have four projects that will start our improvement. The project leaders will feed back to the group on 9 December and recommend the next processes that need fixing.

We have proven this year that we can achieve a lot quickly when we focus, so we aim to have these projects, largely completed in four weeks. The next projects will have different leaders and team members, so we will gradually build up a group that has a better view of how our business works from a different perspective.

Project	Project lead
Getting proper visible site Hygiene processes for Hetero and Aerospace Secondary Star orders	Steve Allard
Managing our communication with customers more effectively	Steve France
Getting and using good quality and accurate data	Nina Cardinal
Rationalisation of process routes	Nina Cardinal

If you have any particular insights that you could offer, please don't hesitate to contact the project leaders.



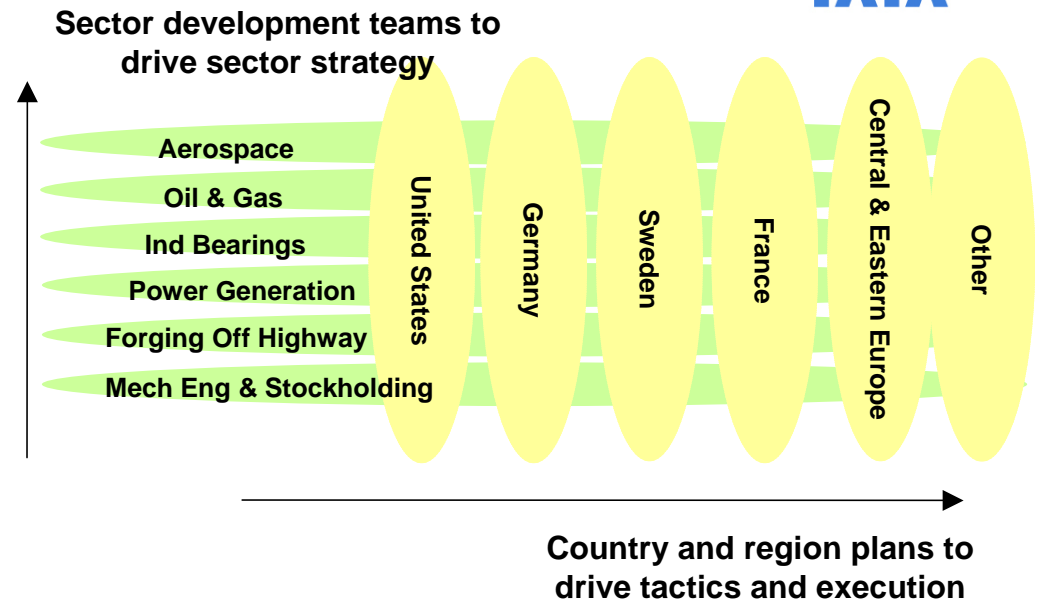
Changing our position in the market



Strategic review of markets

Based on:

- Capability to serve
 - technical expertise
 - international sales network
- Cost to serve
- Growth potential
- Potential returns
 - identifying high value sectors



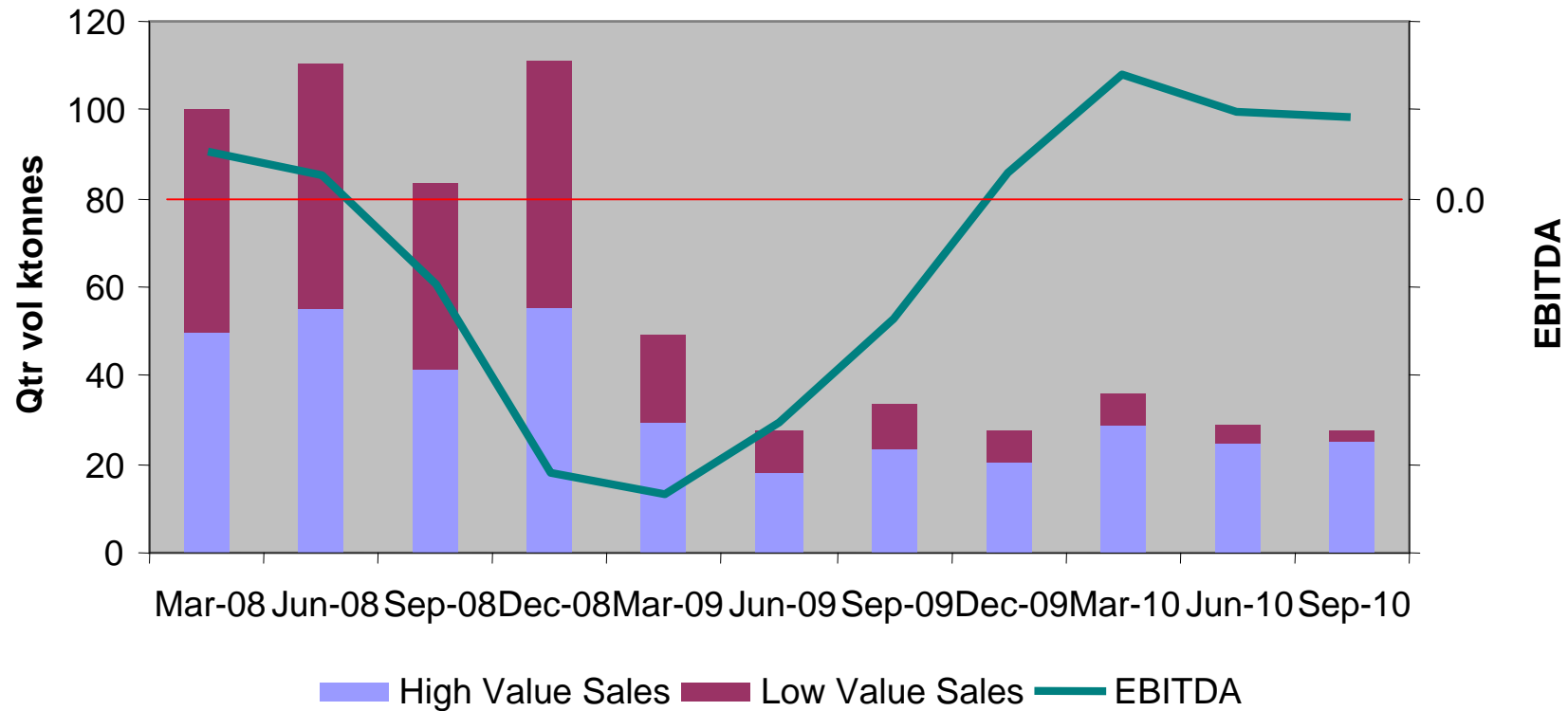
Clear Commercial Focus

- Sector strategy plans
- Country plans for key regions
- Product mix management
- Customer account plans
- Improved customer service and quality

Survival chapter closed, business repositioned and ready for growth



Speciality Sales Vol vs EBITDA

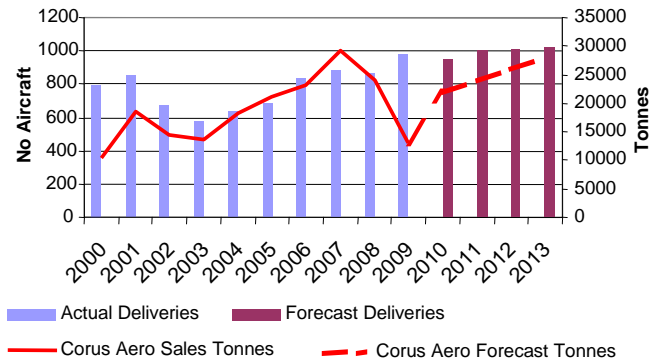


Value before volume in the Tata Steel Speciality mix

Examples of growth markets – plus need for competitive supply chains

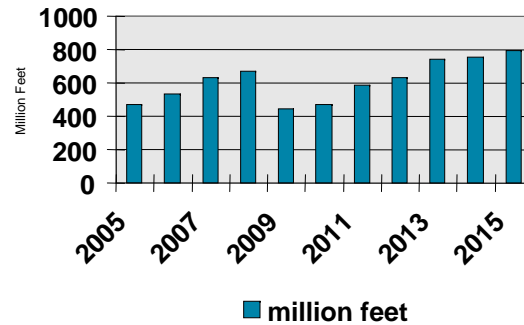
Aerospace

Large commercial jet deliveries



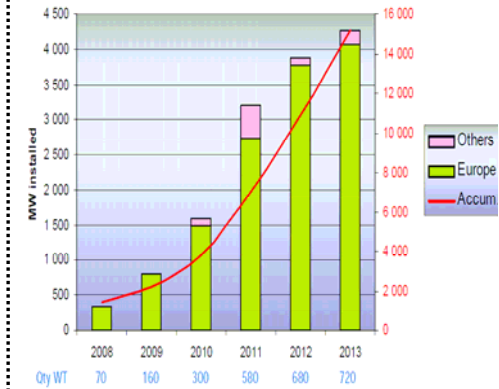
Oil and Gas

Historic and forecast drilling activity



Industrial bearings

Fc 2009-2013, offshore



TATA STEEL

Capex allocated to support growth

Business growth



- 2010/11 deliveries c. 60% of pre-storm levels
- Forecast deliveries in 2011/12: increase of 30% on current volumes
- Forecast deliveries in 2013/15: increase of 50% on current volumes
- Current employee numbers = 60% of pre-storm levels (c. 2,200)
- Recruited c. 400 people in 2010
- Further recruitment forecast

Summary

Internal issues



- Business restructured, now looking to grow
- Need to reduce energy consumption
- Need to further develop our global markets
- Need to further improve operational efficiencies
- Match internal capability to market demand
- Need to improve customer service
- Develop competitive supply chains

Summary

External issues



- General uncertainty
- Raw material prices driven by global activity
- Sector growth in global market places
- Skills shortages / training fit for our needs
- Energy security of supply
- Climate change driven legislation / tax