OneSteel Limited

2003 Annual General Meeting

17th November 2003

Mr Peter Smedley
AGM Address

OneSteel Limited ABN 63 004 410 833
OneSteel Head Office: Level 23, 1 York Street, Sydney, NSW 2000 GPO Box 536, Sydney, NSW 2001, Australia
Phone: (61 2) 9239 6666 Fax: (61 2) 9251 3042

Mr Peter Smedley
Chairman

OneSteel Limited AGM Address
17 November 2003

Introduction

Good afternoon Ladies and Gentlemen, and welcome to OneSteel's third Annual General Meeting and our second full year as a separately listed steel company.

I would like to outline the main highlights of the year and to follow with some commentary on what lies ahead.

The Managing Director, Bob Every will provide some further context of what the company achieved in the last financial year. He will also talk about some trends in the international steel market and discuss some of the projects OneSteel has planned over the next 12 months.

The company's performance in the 2003 financial year was very pleasing. Improved market activity, combined with continued business improvements, enabled OneSteel to double profits for the second consecutive year.

The improvements we have made are also reflected in the continued strengthening of the balance sheet. Since listing we have reduced debt by $530 million. As a result, gearing has fallen significantly and interest coverage has improved to 4.5 times, compared with 2.7 times a year earlier and 1.6 times in June 2001.

Along with profitability, safety is one of the core values of OneSteel. It is pleasing to see that the medical treatment injury frequency rate improved 27.7 percent to 15.6 and the loss time injury frequency rate improved 48.6 percent to 1.8. These statistics include OneSteel's contractors as well as its employees.

Further restructuring of the company was undertaken in the last financial year. The No. 3 Tube Mill in Newcastle was closed to lower costs and improve margins. Some distribution sites were consolidated and a number of minor "bolt-on" acquisitions of distribution businesses were made.

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On 11 August 2003, subsequent to the book close for the 2003 financial year, the sale of the Email metering business was completed for a total value of $54 million. This sale **completes the divestment of the non-core Email businesses** following the joint acquisition of Email with Smorgon Steel in 2001.

Having undertaken major restructuring, the company will now move into the second stage of restructuring focused on **business improvement initiatives**. These include a focus on operational excellence, plant reconfiguration, continued implementation of the product rationalisation program, systems upgrades and maintaining tight inventory management.

Before I move on to review the year in more detail, I would like to spend some time on matters related to small shareholders. Firstly there is the issue of unsolicited offers by National Exchange to buy OneSteel shares from its shareholders.

When OneSteel became aware of this offer and other unsolicited offers by National Exchange to buy shares from OneSteel's shareholders, the Board made an announcement to the Australian Stock Exchange, and also wrote letters to its shareholders, informing that OneSteel was not involved with, nor supported the unsolicited offers. The letter advised shareholders to seek independent financial advice if they were considering accepting any of National Exchange's offers.

OneSteel also initiated discussions with Australian Securities and Investments Commission (ASIC). On September 10, ASIC advised that the Federal Court had ruled National Exchange's offer to buy OneSteel shares at a headline price of $2 per share, but payable in instalments over 15 years, as being deceptive and misleading.

The Federal Court made orders that prevent National Exchange from making further offers in a similar form to OneSteel shareholders. It also required National Exchange to write to all recipients of the offer explaining that the true value of the offer was less than the $2 per share price that was stated in the offer and to give all shareholders who accepted the offer 28 days in which to have their shares returned to them, at no cost.

You will recall that the shareholders approved a change in the OneSteel Constitution which allowed for the sale of unmarketable parcels. In the last year, through this process, the share registry was reduced by some 80,000 shareholders and each received the market price for their shares at the time.

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The other matter I wish to raise concerns a new facility for shareholders with 1,000 shares or less. It is my pleasure to announce that OneSteel has arranged for a dealing facility to be put in place by which shareholders with 1,000 shares or less will have the opportunity to either sell all of their shares or alternatively to acquire up to $1,000 of additional OneSteel shares at the market price prevailing at appropriate times of the year, and without incurring any brokerage.

Participation in the facility will be entirely voluntary. If you do not wish to participate you need not take any action.

A letter and application form will be posted to shareholders shortly outlining the facility and its terms and conditions in more detail. I encourage you to read these documents carefully when you receive them.

The Year in Review

To return to the review of the last financial year, **market activity** in the segments that impact OneSteel continued to recover from the lows that we experienced during our first year as a separate listed company. In the year that ended June 2003, market activity rose 5.2 percent, building on the 4.6 percent increase in the previous financial year.

Sales revenue for the 12 months to June 2003 grew 5.3 percent to $3,060.6 million, from $2,906.0 million in the prior corresponding period. The increase reflects the pick up in underlying market conditions and additional revenue associated with the Alice Springs to Darwin rail contract.

Operating earnings before interest, tax and amortisation (EBITA), increased by 32.6 percent for the 12 months. The sales margin was 7.2 percent, up from 5.7 percent in the previous year.

On an **earnings before tax** basis, profit increased by 67.7 percent to $156.8 million from $93.5 million. Interest expenses were $44.5 million, down 18.2 percent from the previous year, while taxes expensed totalled $53.3 million, up 36.7 percent from the prior year. The effective tax rate fell to 34 percent from 41.7 percent.

Operating net profit after tax and minorities was $94.0 million, almost double the $47.1 million result a year earlier. I am happy to report that the operating net profit equates to earnings of 17.2 cents per share, 97.7 percent higher than the prior year.

Staffing levels rose by 0.9 percent over the 12 months to 7,054 by the end of June 2003. This was the result of small “bolt-on” acquisitions, notably the

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acquisition of Hurricane Wire Products by Steel and Tube in New Zealand, and Australian Distribution's acquisition of Purlin and Marner in Australia. Excluding the acquisitions, underlying staff numbers declined 2 percent to 6,845 employees.

Operating cash flow for the period was $142.5 million. This was marginally lower than last year mainly due to $100 million less in OneSteel and Email residual business asset sales.

Other significant movements were an 84.9 percent increase in **capital and investment expenditure** to $130.9 million. This reflects the acquisition of Hurricane Wire Products in New Zealand and other bolt-ons for $29.4 million and expenditure of $19.5 million on the upcoming blast furnace reline project. Underlying ongoing capital expenditure remained lower than depreciation at $82 million.

There was also a significant improvement in cash flow from working capital of $94 million. **Free cash flow** improved to $154.9 million from $28.5 million.

OneSteel's **financial gearing** on a net debt, to net debt plus equity basis, continued to improve, falling from 31.9 percent to 26.8 percent. Net debt decreased 17.7 percent, or $101.4 million, to $470.2 million. Including OneSteel's $200 million of securitisation, gearing fell from 38.7% to 34.3%. Interest cover has improved to 4.5 times from 2.7 times. The decline in debt stems from free cash flow generated from trading and some minor divestments.

In April 2003, OneSteel completed a private placement of seven and 12-year debt in the US market. The proceeds of the US$128 million private placement were used to replace existing bank debt. The debt issue lengthens OneSteel's debt maturity profile from under 2 years to over 4 years, more closely aligning it with the long life of its assets.

Funds employed continued to fall, declining a further 2.2 percent or $39 million to $1,755.2 million. As a result, combined with improved profit performance, the EBITA return on funds employed has increased to 12.5 percent from 9.1 percent.

Inventories increased by 2.9 percent from the previous financial year as the build up of inventory for the furnace reline commenced. However underlying inventory stock weeks continue to run under 10.

The final dividend was declared at 6.0 cents per share fully franked, bringing the total dividends declared for the year to 11 cents. This represents a payout ratio of 63.7 percent and compares with a 6.5 cent fully franked dividend paid for the 12 months to June 2002, and represents a payout ratio of 63.7%.

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Corporate Governance

The Board and management recently introduced further enhancements to the company's **corporate governance** practices and guidelines. These guidelines were reviewed in light of the company's experience, the expectations of our shareholders, changes in the law and the requirements and recommendations of regulatory and other public bodies, including the ASX Corporate Governance Council. The Board Charter and the Corporate Governance Guidelines, together with other governance documents, are now published on the OneSteel website.

The Board also reviewed the remuneration of Directors and announced changes which are in line with emerging industry practices and guidelines. This review was conducted with the assistance of external advisers.

I will discuss this item in detail later this afternoon.

Focus for the 2004 Financial Year

We have a number of projects underway in the 2004 financial year.

In line with OneSteel's strategy of maximising returns from its assets and the competitive advantage of high-quality, low-cost iron ore, OneSteel has commenced a five-year **ore beneficiation project** that will recycle an estimated 9 million tonnes of lower-grade ore accumulations into around 5 million tonnes of usable high-grade ore.

In a similar vein, a $6 million feasibility study is underway to determine the possibility of using the company's large magnetite **iron ore resources** as a basis for further optimising the Whyalla operations. We expect we will able to announce the results of the study around June 2004.

A major event for the company will be the $80 million capital expenditure and associated $95 million inventory build for the **reline of the blast furnace** at Whyalla. It is scheduled to occur over approximately 65 days over June and July 2004.

A total of $19.5 million in capital and $10.6 million on inventory was expended in the 2003 financial year. The remaining $144.9 million in capital expenditure and inventory is to be funded from internal cash generation, approximately $110 million of which will be in the 2004 financial year. As a result, debt will remain at current levels.

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Outlook

Turning to market conditions, we expect market activity to remain at robust levels. Momentum in the non-residential and engineering construction segments is expected to continue to offset forecast lower activity in the residential construction and rural sectors. The three construction segments account for 58 percent of OneSteel's revenue. The remaining sectors of mining, automotive and other manufacturing are expected to remain relatively stable.

The first four months of trading have delivered a profit result below our internal expectations, mainly due to the impact of import competition on our business as a result of the much stronger than expected Australian dollar.

However, subject to the level of forward exchange rates, we are comfortable with the current investor market range of between $84 million to $96 million with a more even split between the halves.

Looking further ahead, the 2005 financial year will be a very strong cash generation year as the inventory associated with the blast furnace reline is run down coupled with the company's normal strong cash flow. This will put the company in a strong position to consider any growth opportunities that may be available.

In the meantime, as well as managing the numerous projects that we have planned, management will continue its focus on internal growth, generating cash, improving capital management, managing costs down and retiring debt to improve profitability.

Summary and Conclusion

Once again the company is in better shape than the previous year. However, we recognise that our challenge for this financial year is to continue to focus on improving OneSteel's safety, operating and long-term business performance.

I would like to thank the Board, Bob Every and the management team, and all of our 7,054 employees for the contribution that they made to this outstanding result.

Thank you ladies and gentlemen and I will now pass over to the Managing Director, Bob Every.

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Good afternoon Ladies & Gentlemen. It is a pleasure to be with you at OneSteel's 2003 Annual General Meeting to report to you on OneSteel's results in its third year of operations as a separately listed steel company.

Contents

- 2002/03 Financial Year Results
- Trends in International Steel
- The Year Ahead

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2

After discussing last financial year's results, I would like to talk about some interesting developments in the global steel industry. I will close by discussing the financial year ahead and outlining the exciting projects we have underway.

Performance Highlights

- Net profit after tax doubled to $94.0 million
- Earnings per share grew from 8.7 to 17.2 cents
- Fivefold increase in free cash flow
- Further reduction in debt of $101.4 million
- 30% improvement in safety performance

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3

In terms of performance highlights, the 2002/03 year recorded a continuation of improved results in all areas of the business.

We were able to double net profit after tax to $94 million from $47.1 million the year before. This is a considerable improvement, particularly when compared with our first year operating net profit after tax of $23.6 million (before restructuring provisions).

I am particularly pleased by the five-fold increase in free cash flow to $154.9 million from the $28.5 million achieved in the previous year. Since listing, OneSteel has generated over $400 million in free cash flow. This strong cash flow has enabled OneSteel to repay 44%, or $530 million of its debt since it peaked at almost $1.2 billion in early 2001. It means that OneSteel is in a much stronger financial position today than it was three years ago.

I am also pleased by our continued progress in making OneSteel a safer place to work. I will provide more detail on this in a moment.

These improvements stem from the considerable restructuring that has occurred over the last three years, as well as from the recovery in market conditions since the June quarter 2001. Market activity in the segments that impact OneSteel rose 5.2% over the last financial year, building on the 4.6% increase in 2001/02.

Approximately half of the better performance arises from the numerous restructuring initiatives that we have undertaken. In particular, in 2002/03 we benefited from the full-year impact of the closure of the Brisbane Bar Mill and the shift reduction in the Newcastle Rod Mill.

Restructuring continued in 2002/03, with the:

- Closure of the No. 3 Tube Mill at Newcastle in April;

- Continued rationalisation of products from 108 grade sections, down to 95 during the year;

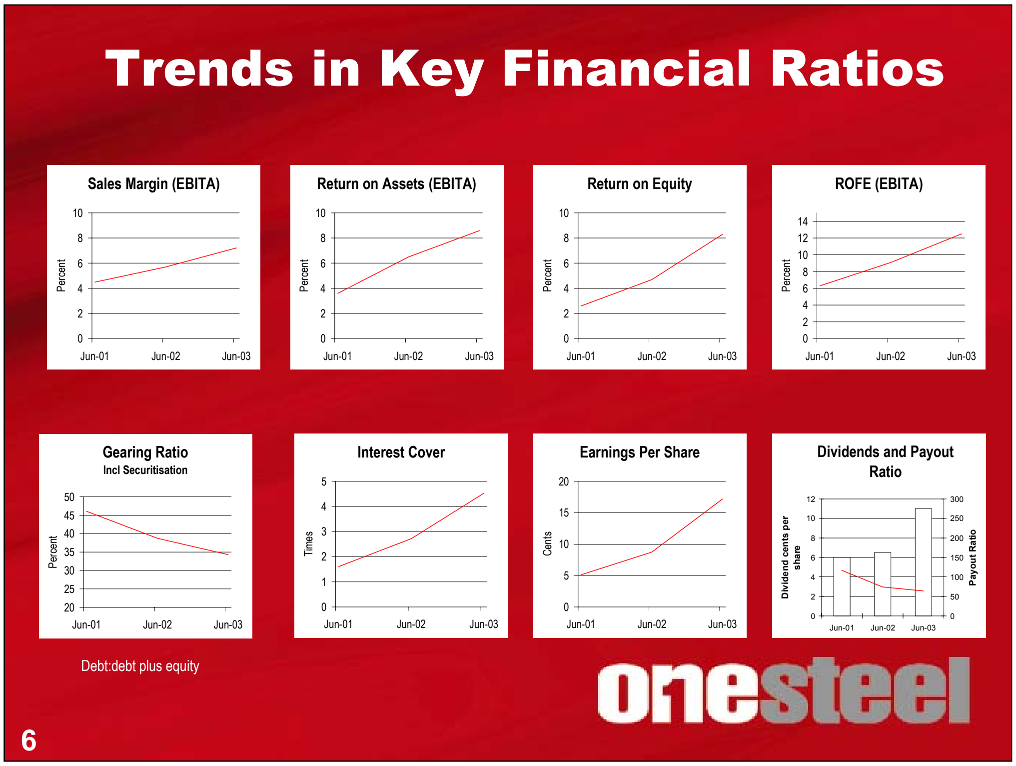
- And a US$128 million private placement of debt in April 2003 that extends the maturity profile of OneSteel's debt

These initiatives and others provided cost reductions for the year of $56 million. These, combined with price improvements and other revenue measures of $51 million, more than offset cost increases of $68 million during the year.

As I touched on earlier, another pleasing aspect of the year's result is the continued improvement in OneSteel's safety performance. The medical treatment injury frequency rate improved 27.7% to 15.6 and the lost time injury frequency rate improved 48.6% to 1.7. In measuring safety performance, OneSteel includes safety outcomes for contractors as well as employees.

As well as the improvement, the actual performance compares favourably with like industries in Australia and around the world.

Shareholders have reason to be interested in OneSteel's safety performance because around the world and across many different industries, good safety performance tends to accompany sound commercial work practices. We strongly believe that "Good Safety is Good Business".



The charts on this slide highlight trends in OneSteel's key financial ratios over the last three financial years. As you can see that like our safety performance, these ratios are all headed in the right direction.

One ratio I would like to highlight is the fall in gearing as we have used OneSteel's strong cash flow and the proceeds of asset sales to reduce debt. As a result of the reduction in gearing, OneSteel's interest cover has risen to 4.5 times, significantly better than the 2.7 times interest coverage this time last year.

Trends in International Steel

7

Although OneSteel is a domestically focused company, we monitor international steel trends to determine possible impacts on OneSteel.

For the last three decades, the international steel market has been characterised by significant oversupply that has artificially held down the prices companies can achieve for steel on the international market.

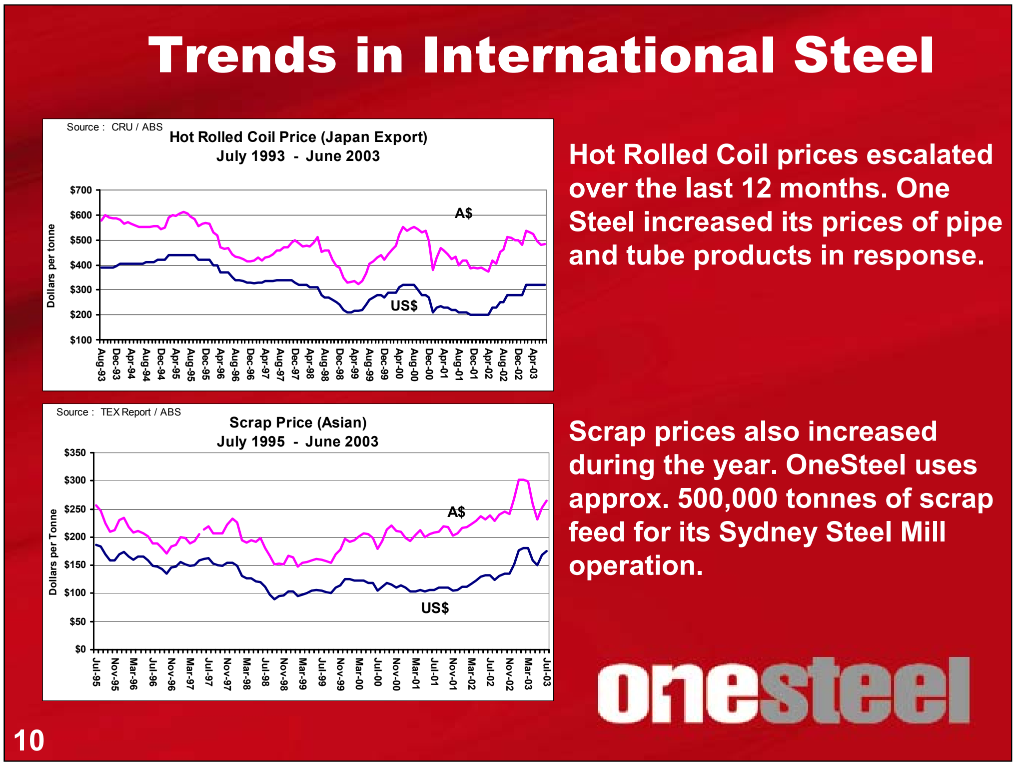
More recently, demand for steel has begun to increase significantly, driven by the development of the Chinese economy. This graph, taken from a presentation by Macquarie Bank at an international conference in March this year, shows that industrial production in China has grown by an average of 15% per annum over the last decade. That is a significantly higher growth rate than in other parts of the world. For example, annual industrial production in the rest of Asia grew by 6% on average, followed by an average annual growth rate of 4% in the US, 2% in Western Europe and zero growth in Japan. In Eastern Europe, annual growth in industrial production has contracted by 12%, on average, over the past 10 years.

Should current trends continue then demand for steel worldwide could outstrip supply over the next five to 10 years.

In the long term, this could support current price levels, however there will continue to be short-term volatility if stock balances are not maintained.

As the graph illustrates, international prices for finished long steel products have already increased considerably as a result of the growing demand from China.

The range of products depicted in the graph include structural beams, merchant bar, reinforcing bar and wire. These products are typical of OneSteel's range.



The increased demand for steel has also led to price increases in some of the key inputs of steel. For OneSteel, the price rises in sheet and coil, and scrap steel represent increased input costs. OneSteel buys these products to convert into finished product in its manufacturing facilities. Of the $68 million in cost increases over the last financial year that I mentioned earlier, $36 million was attributable to price increases in these semi-finished products.

OneSteel reacted to the price increases in these inputs by increasing prices for its finished products and by reducing costs. In this way, OneSteel was able to recover the majority of these higher input costs. The appreciating Australian dollar also assisted in offsetting some of the cost increase.

At times such as these OneSteel's business model of vertical integration comes into its own. Two-thirds of the steel that OneSteel produces is made from its own iron ore that it mines in the South Middleback Ranges. Therefore over half of the steel that OneSteel sells is not impacted by international steel cost pressures.

Against the backdrop of a higher exchange rate and increased competition from imports, the challenge over the next 12 months is to endeavour to maintain margins. At the current exchange rate, and with import competition growing, we do not believe there is much scope to further increase prices.

This leads me to turn to the company's prospects in the current financial year.

Major Project Flow

Current

- Comalco Plant - Gladstone
- Woodside 4th train
- Queen Victoria Bld - Melbourne
- Eureka Bld – Melbourne
- World Square – Sydney
- Southbank development – Melbourne
- Exhibition Street development – Melbourne
- Regional Fast Train – Victoria
- Melbourne Cricket Ground
- Tasmanian Wind towers
- BHP Billiton Area C
- Hi-Smelt
- Latitude 2 – Sydney
- Rhodes Shopping Centre
- Kambalda to Esperance Gas Pipeline
- Gold Coast Exhibition Centre
- Telfer Gas Pipeline
- Darwin LNG
- Western Orbital – Sydney
- Enertrade pipeline
- Auburn Central Development
- Philip Street Development – Sydney
- Aurora Tower, Brisbane
- NAB Building, Docklands Melbourne

Upcoming

- Sunland – Gold Coast
- Chatswood to Epping Rail Link
- RAC Track upgrade
- Woodside 5th Train
- SAMAG
- Aldoga Smelter
- Sydney CBD cross-city Tunnel
- Burrup Fertiliser and Methanol
- Queen Street Melbourne
- Adelaide Airport
- Spencer Street Station
- Southern Cross Melbourne

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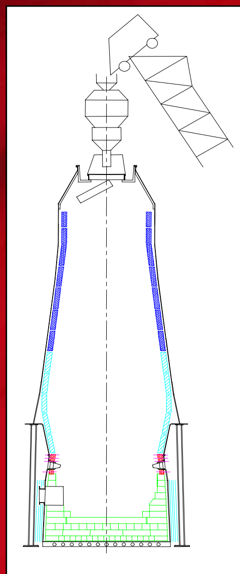
12

Last year was another solid year of growth in the construction sector and we anticipate this will continue in the current financial year. In fact, we expect the robust construction cycle to continue and peak in 2005/06. The construction sector drives 58% of OneSteel's revenues. We are currently delivering steel to an extensive list of projects and there are more potential projects in the pipeline.

Current Projects – Furnace Reline

Scope of the Blast Furnace Reline



What:	**Hearth shell & refractory** **Staves and Cooling System** **Paul Wurth Top**
When:	**Mid 2004**
How long:	**Approximately 65 days**
Cost:	**$80 million capital**
Impact:	**Stock build to limit customer impact** **Sydney Steel Mill fully loaded** **Approximately $95 million inventory**

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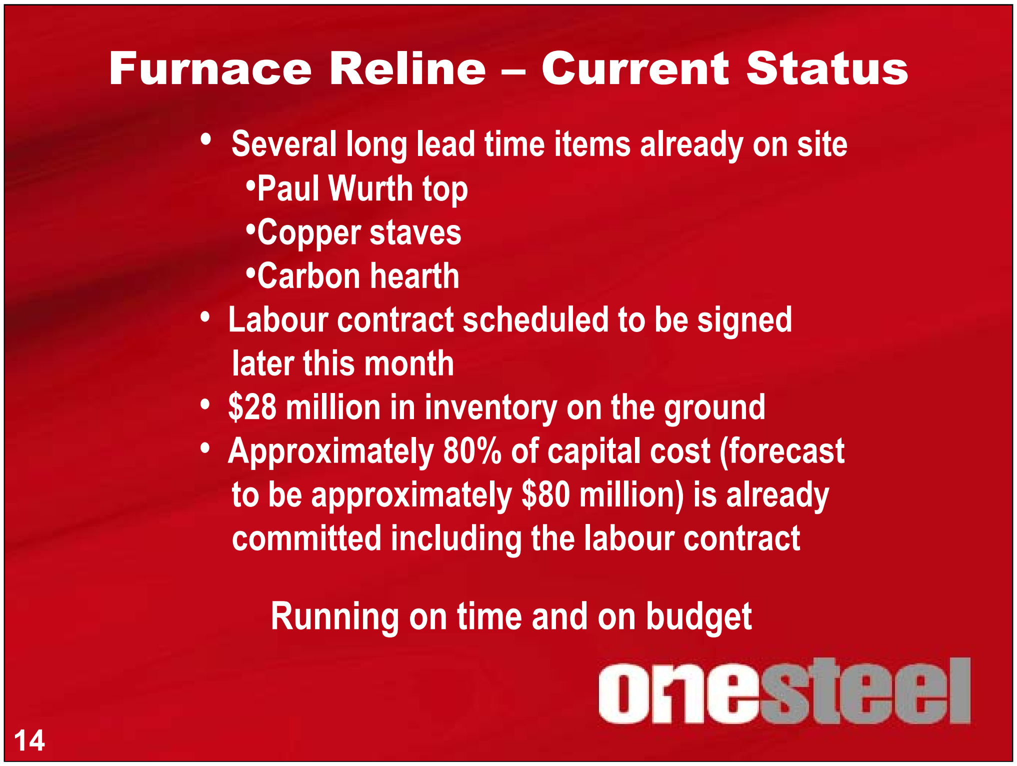
13

As mentioned by the Chairman, one key event in the next 12 months is the reline of the blast furnace at Whyalla. The current blast furnace campaign life will be 23 years by the time it is relined in June/July 2004. This represents one of the longest running campaigns in the world. Despite this, the blast furnace operated efficiently over the last financial year and it continues to operate consistently at planned production output and quality in this financial year.

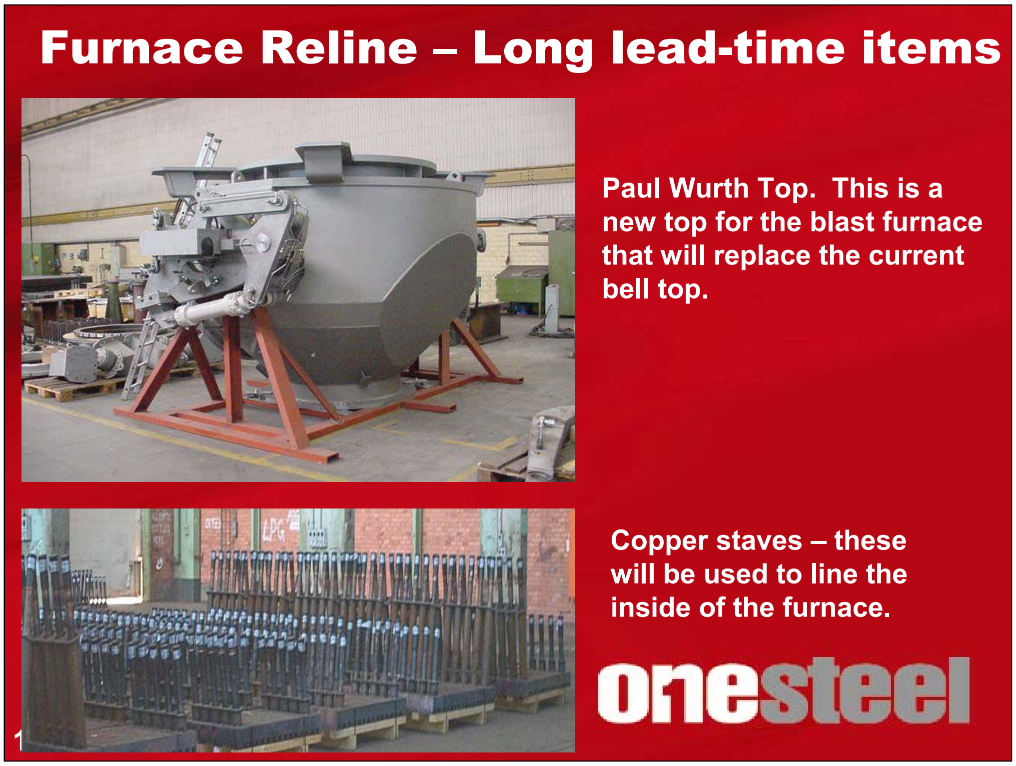
The focus for the OneSteel blast furnace reline project team is to deliver this project on-time and on-budget. A priority for the company during this period will be to fund the project from OneSteel's strong internal cash generation to ensure our debt levels finish the 2003/04 year at the same level they ended 2002/03.



The shutdown of the blast furnace is set for 4 June 2004. As you will see from the next slide, supply of the critical long lead time equipment is well advanced, with a number of items already on site.

We are scheduled to sign the major mechanical site contract on 20th November. This will result in project commitments to date of approximately 80% of the budget. The capital cost forecast is approximately $80 million, as originally estimated.

The Whyalla Steelworks and Sydney Steel Mill started building inventory in the last financial year to prepare for the shutdown. This will be used to provide feed for the OneSteel rolling mills during the reline. The stock build is progressing in line with plans with $28 million of inventory now on the ground. We anticipate that inventory will peak at around $95 million in May.

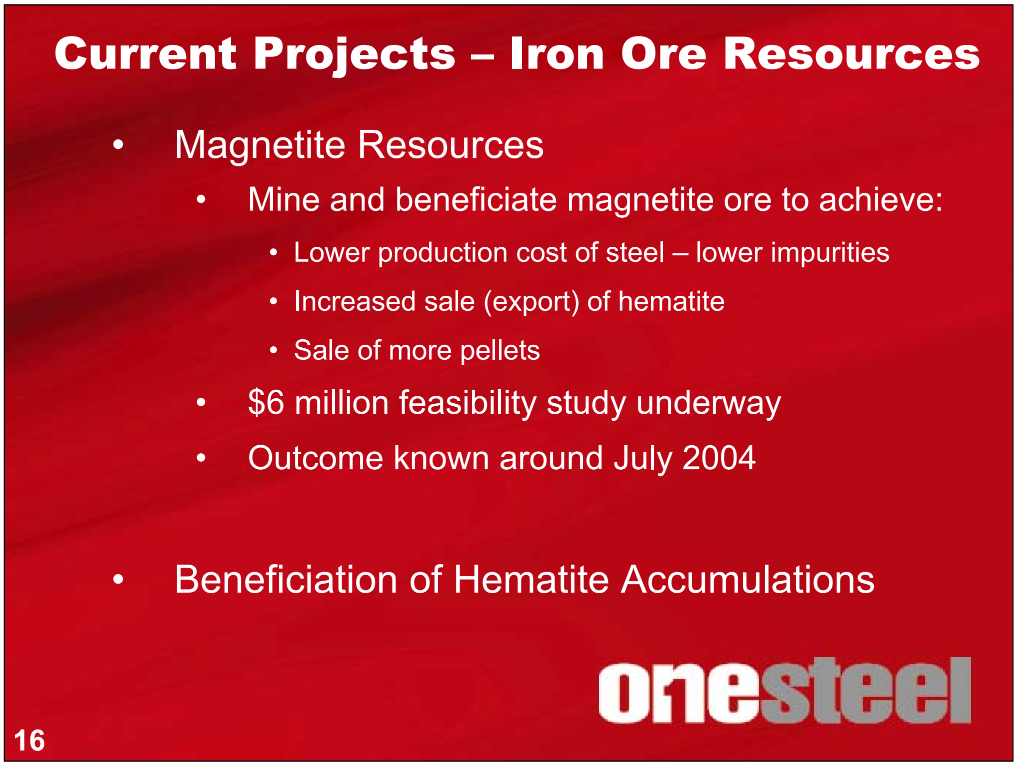


These are photos of some of the long lead-time items that we already have on site.

We are replacing the current bell top of the furnace with what is known as a Paul Wurth Top. The new top will enable us to feed the furnace with iron ore, coal and alloys more efficiently. There are over 200 of these Paul Wurth Tops in blast furnaces around the world so it is proven technology. We are also updating the technology we are using to reline the furnace. Instead of a refractory lining, we are using copper staves.

Planning for the reline began in September 2001 and includes detailed risk analysis that is constantly reviewed. As a result we have a very clear understanding of where the risks lie and we have, and will continue to, implement measures to control those risks.

We have assembled a very experienced project team comprising OneSteel personnel and external consultants. A number of the OneSteel members in fact worked on the last reline of the furnace in 1981. The external consultants have worked on successful furnace relines around the world and include people from Hatch, Paul Wurth, Danieli Corus and NDK. Approximately 20 furnaces are relined around the world each year.

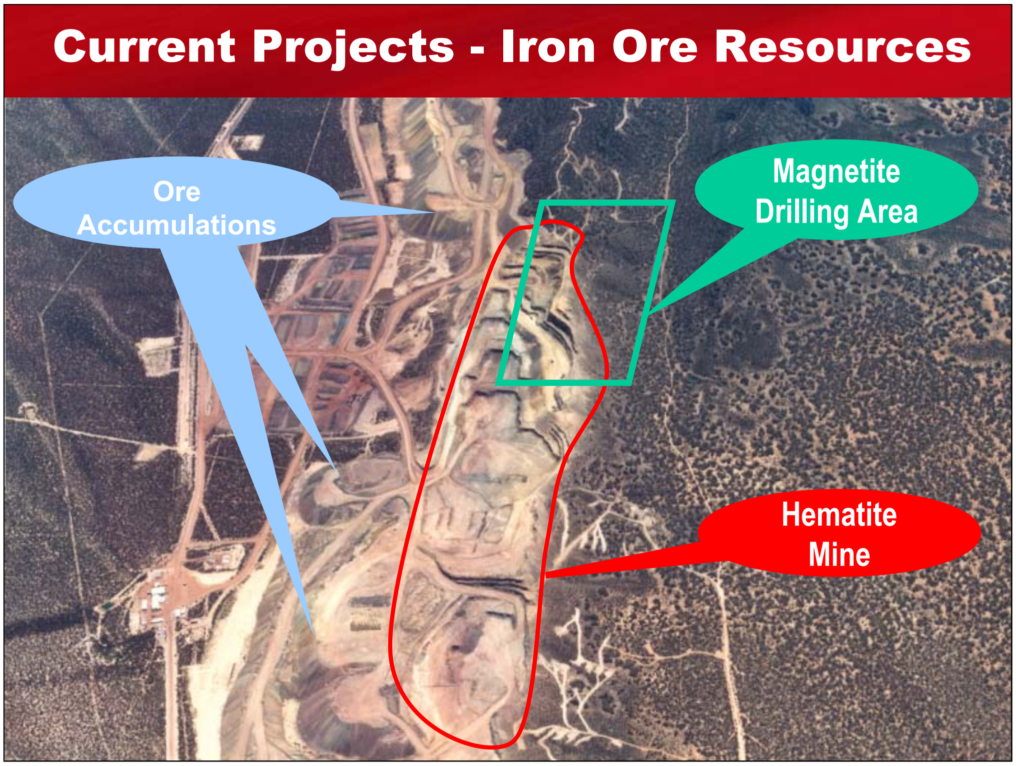


A second major project is the $6 million feasibility study into OneSteel's 300 million tonne magnetite resource. The study will determine the geological, commercial and logistical requirements to convert the Whyalla operations from a hematite to a magnetite iron ore-based operation and examine opportunities for increased iron ore sales.

Should the project go ahead, it will allow OneSteel to extend its sales of iron ore from one million to three million tonnes per annum and provide OneSteel with potential to sell up to 500,000 tonnes of iron ore pellets each year. It also has the potential benefit of lowering the cost of steelmaking as a result of lower trace elements in the magnetite as well as increasing iron ore resources. Therefore the magnetite iron ore opportunity has the potential to increase revenue and profit from OneSteel's existing mine reserves and resources.

We have another project underway that is designed to add to the iron ore resources at Whyalla.

In April 2003, as part of a new mining contract, we announced the construction of an ore beneficiation plant . The plant will recycle approximately 9 million tonnes of lower-grade hematite ore accumulations to produce an estimated 5 million tonnes of usable high-grade ore. By processing these accumulations that previously weren't usable, we will reduce our annual mining requirement by one million tonnes for five years, so extending the life of the mine. The plant is expected to start operation in April 2004.



You can get a better idea of the two projects from this aerial shot of our mines in the South Middleback Ranges.

The area that is outlined by the red frame is one of the hematite iron ore reserves that we are currently mining. The magnetite iron ore resource is located below, and adjacent to, the hematite reserves. As at the end of October, we had drilled 28 of the 41 holes that are required for the geological analysis and the results are meeting expectations.

We are using the samples to undertake pilot processing to help us determine the economics of converting the Whyalla Steelworks from a hematite ore feed to a magnetite ore feed.

Also highlighted on the map is some of the lower-grade ore accumulations that we will start to recycle next year when the beneficiation plant is built by our mining contractor.

OneSteel’s Way Forward

- Continue to improve business performance
- Main Priorities
  - Managing costs down, cash generation, improving capital management and retiring debt to improve profitability
- Manage Major Projects to Successful Outcomes
  - Blast furnace reline
  - Complete feasibility study of iron ore resource

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18

In terms of the way forward and to recap on the Chairman’s comments, we will continue to work on further improving the business by focusing on operational excellence, further rationalising the product range, plant reconfiguration and tight control of inventory.

In addition to these operational improvements, OneSteel will remain focused on reducing costs, enhancing revenues and tight capital control.

Our immediate main objectives also include completing the blast furnace reline on time and on budget and completion of the iron ore resource feasibility study.

Summary and Outlook

- Residential sector decline to be offset by increased activity in non residential and engineering construction sectors
- Strong three year construction market cycle
- Profit in first four months of trading below internal expectations as higher exchange rate opens market to greater imports
- Blast furnace reline funded from internal cash generation in 2003/04
- Strong cash flows in 2004/05
- Company in good financial position
- Positioned to take advantage of any growth opportunities

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19

Market activity in the residential sector has begun to ease as expected, while the non-residential and engineering construction segments continue to build momentum.The remaining sectors that drive OneSteel's revenue – manufacturing, automotive, mining and rural – are relatively steady. We expect the current robust construction cycle to continue and peak in 2005/06.

As the Chairman indicated earlier, the first four months of trading have been below our internal expectations. The main reason for this is the impact of the Australian dollar's appreciation on imports.

The Australian dollar's appreciation against the US dollar has been stronger than the company had predicted and the currency continues to trade above the level OneSteel had forecast for this period of the year. While this provides OneSteel with a benefit in terms of lowering input costs, it also opens the Australian market to increased imports. This year the net impact has been unfavourable.

In terms of OneSteel's product lines, there has been increased import activity in pipe & tube and merchant bar. OneSteel expected the price of these imports to increase in line with the higher cost of the raw materials to manufacture these products. This has not happened and OneSteel is monitoring the type and price of imports extremely closely to determine what prudent measures may be taken.

Allowing for the uncertainty of exchange rates moving forward, OneSteel is comfortable with the current investor market range for 2003/04 profit of $84 million to $96 million with a more even split between the halves compared to the prior year.

Managing Director's Address

Annual General Meeting
17 November 2003

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20

Looking further ahead, in 2004/05, the anticipated strong cash flows generated by OneSteel, combined with the rundown in inventory associated with the blast furnace reline, will be applied to further reduce debt, allowing management to consider growth opportunities.

I would like to thank everyone in the company for their contribution to another year of substantial safety and profit gains across all OneSteel businesses. I would also like to extend my thanks to our shareholders and customers for their support of OneSteel.

The company has strengthened its financial position considerably over the last three years and management will continue to strive to improve the performance of the business.

Thank you for this opportunity to report to you on OneSteel's performance at the 2003 Annual General Meeting. I will now hand back to the Chairman.