

Presentation by
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onesteel

Slide 1

Australian steel long products market

Global Steel Market

- Global market – Over capacity
 - 800 million tonnes demand
 - 950 million tonnes capacity
- The global steel industry is fragmented
 - 95 players produce more than 2 million tonnes pa
 - The top players only produce 5% of production

Australian Steel Market

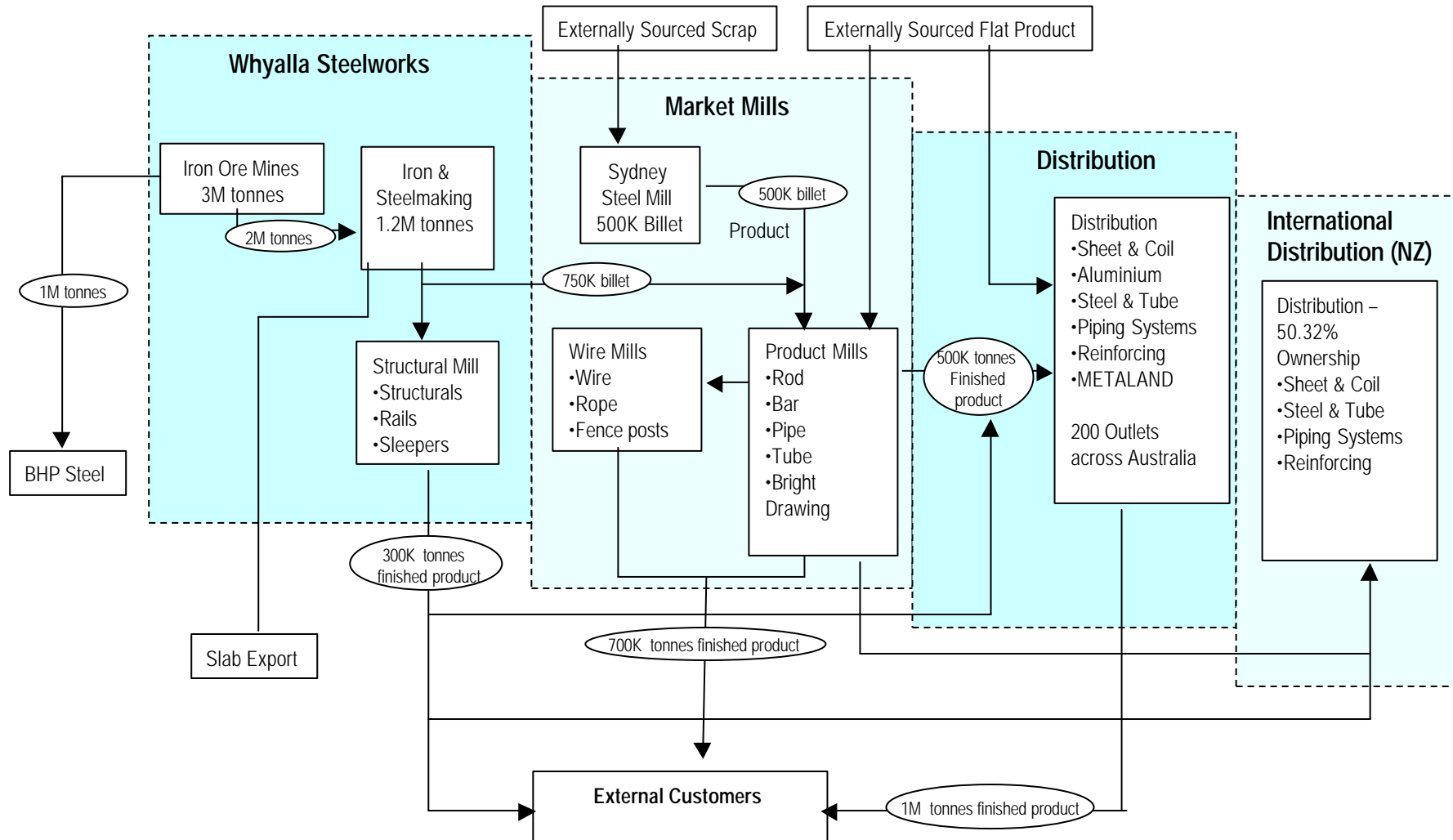
- The Australian steel industry has capacity of 7.6 million tonnes
- Long products – 2.6 million tonnes, 100% aligned to domestic market
 - Flat products – 5.0 million tonnes, half of which is exported

OneSteel's Positioning

- Vertically integrated – iron ore; steel making; distribution
- Long Products Market is a growing market
- Domestic market is less fragmented than the global market
- Production is balanced with the market
- One Company Approach
- Produce highly-specialised steel and steel products
- Annual sales in the vicinity of A\$3 billion
- 7,000 staff - 30,000 customers

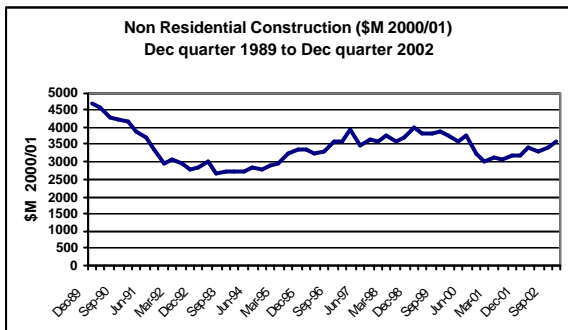
There is little or no domestic over-capacity of steel long products and there is a willingness to defend the Australian market from “dumping”. OneSteel is nationally focussed with transport and geographic distance acting as strong barriers to entry. OneSteel is better placed to service the local market resulting in strong loyalty and domestic premium. This is the niche in which OneSteel operates.

OneSteel Product Flow

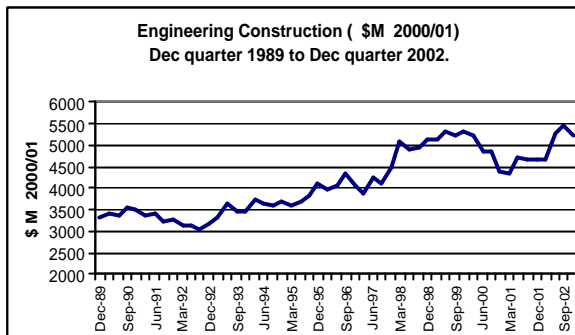


OneSteel Key Revenue Drivers

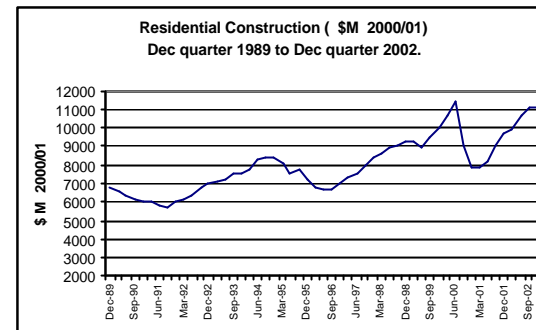
22% of OneSteel Revenue – up 9.2% yr on yr*



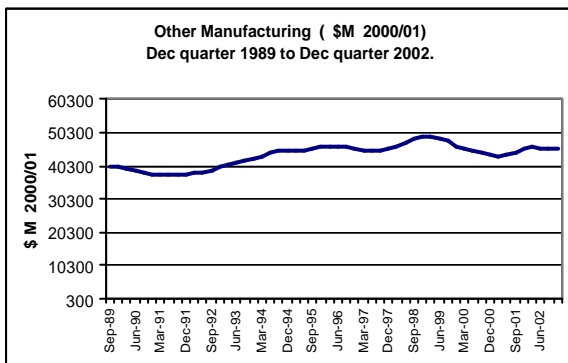
22% of OneSteel Revenue – up 14.5% yr on yr*



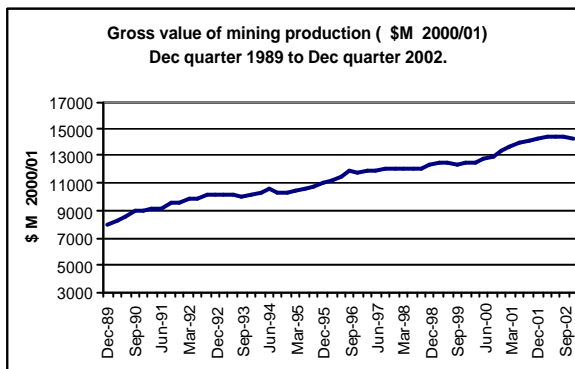
14% of OneSteel Revenue – up 18.3% yr on yr*



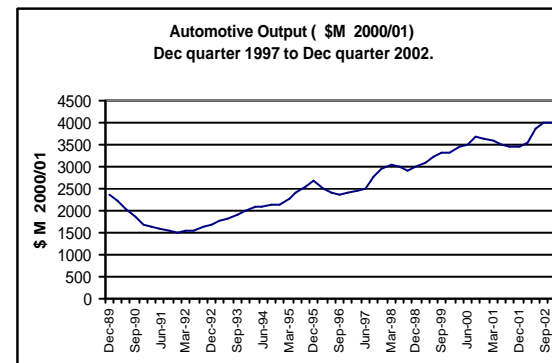
14% of OneSteel Revenue – up 1.2% yr on yr*



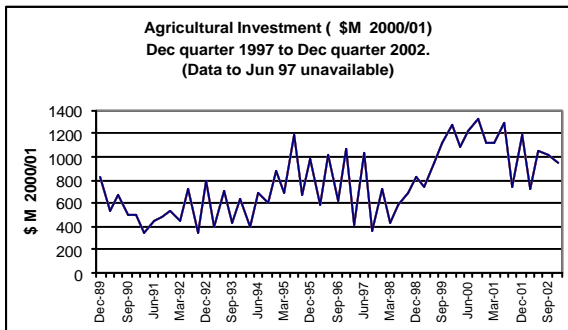
12% of OneSteel Revenue – up 0.02% yr on yr*



5% of OneSteel Revenue – up 16.4% yr on yr*



5% of OneSteel Revenue – up 1.3% yr on yr*



All sectors up 9.25%. All three Construction sectors which make up 58% of OneSteel's revenue are recording an upswing in activity.
Source: ABS and NIEIR

* December 2002 half versus December 2001 half



Strengths of the OneSteel Business

Industry Market Positioning

Long Products Market Leader

- Produces 1.7 million tonnes of steel pa
- Despatches 2.0 million tonnes pa
- Employs almost 7,000 people in Australia and New Zealand
- Leading market shares for all products

Restructured Business

- Restructuring has aligned production with domestic demand and cut costs from the business. OneSteel has taken out duplication after merging eight businesses into four and has reduced capacity and exited unprofitable product lines.

Strong Brand Names

- Australia's largest steel long products producer with leading brands.
- Market leader in 7 of its 8 product lines.

Rational domestic industry structure

- The joint acquisition of Email by OneSteel and Smorgon Steel in 2001 transformed the industry into a rational and well-behaved one.

Competitive Advantages

Vertically Integrated Business

- Traditional steel companies can be squeezed by suppliers and distributors. OneSteel has its own iron ore mine and its distribution business has an estimated 30% market share.

Low-cost, high-quality Iron Ore

- 2/3 of OneSteel's production is insulated from rising scrap prices by its iron ore mine situated 80 klms from its main production facility.
- Proven reserves out to 2020.
- OneSteel sells 1 million tonnes of iron ore pa to BHP Steel.

Leading Metals Distributor

- Australia's leading distributor of steel and other metals products.
- Over 200 sites, centres, franchises.
- More than 30,000 customers.
- The distribution business sources half of its products from OneSteel.

Strong Cashflows

- Since listing in October 2000, OneSteel has reduced debt by 40% or by A\$500 million.
- Annual sales are around A\$3 billion.

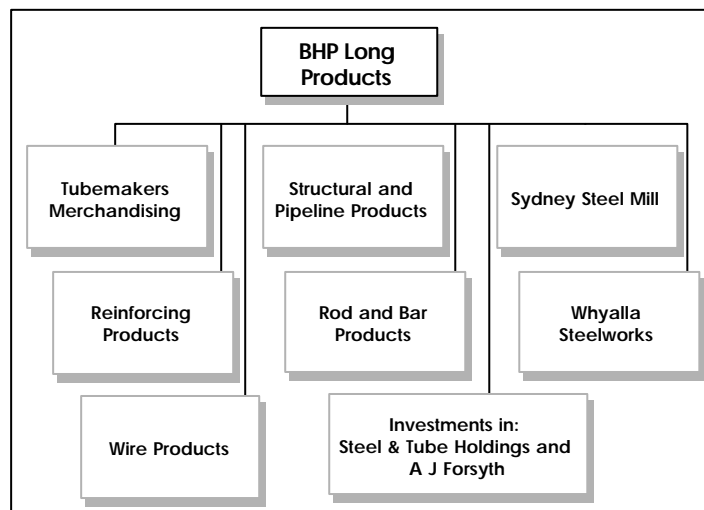
Restructured Business

Achievements to date include:

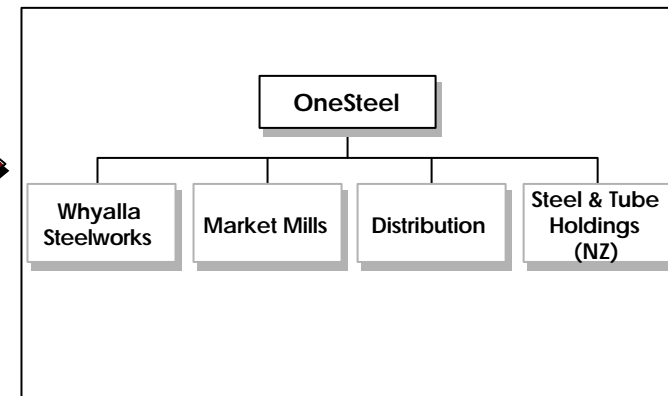
- Costs reduced by A\$138 million (offsets A\$126 million rise in costs)
- Revenue enhancements of A\$53 million
- The joint acquisition of Email by OneSteel and Smorgon Steel in April 2001 – stronger industry structure
- Sale of Canadian distribution business A J Forsyth
- Realigned bonus/incentive structure – reward is based on company performance, not divisional
- Rationalised Products – product complexity has reduced by 31%

- Brisbane Bar Mill closure
- Shift reduction from Newcastle Rod Mill
- Sale of Ardrossan Port
- Sale of Whyalla Laboratories
- Equity raising in December 2001 – A\$66 million
- Employee share plan – 80% participation
- Inventory down 30% from over 14 stock weeks to under 10 weeks
- Reduced total debt by 40% or A\$500 million

Production-oriented – Strategic Business Units



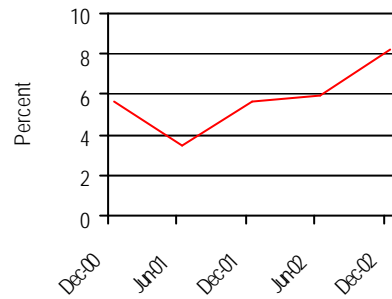
Market oriented – Vertically Integrated



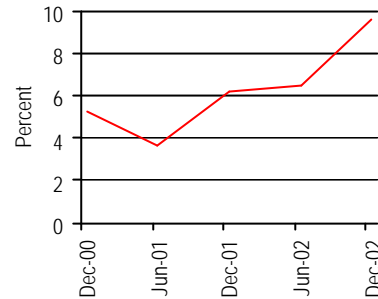
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Key Financial Ratios

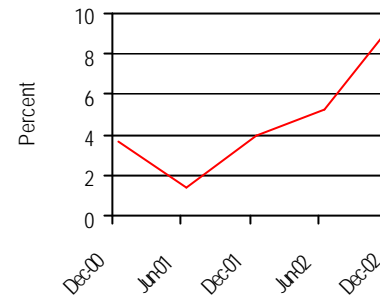
Sales Margin (EBITA)



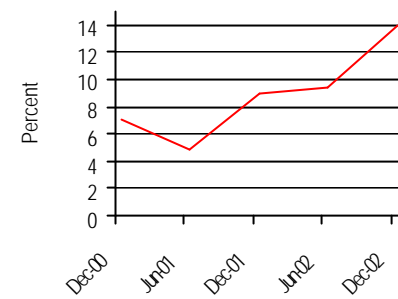
Return on Assets (EBITA)



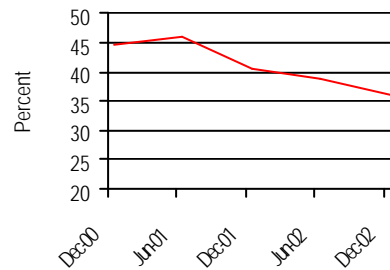
Return on Equity



ROFE (EBITA)

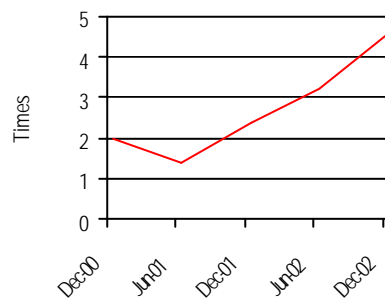


Gearing Ratio
Incl Securitisation

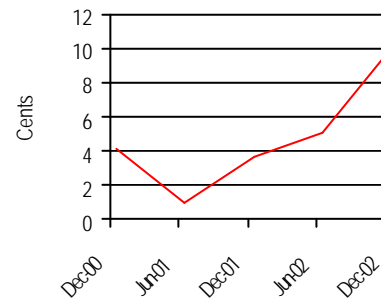


Debt:debt plus equity

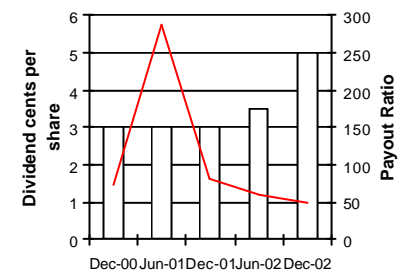
Interest Cover



Earnings Per Share



Dividends and Payout Ratio



Key financials

Key Financials for the six months to December 2002						
		Statutory		Pro Forma		Change 02/01
		2002	2001	2000	1999	
Sales Revenue	(A\$ m)	1,525.0	1,473.2	1,267.0	1,492.4	3.5%
EBITDA	(A\$ m)	168.2	125.6	111.6	122.9	33.9%
EBITA	(A\$ m)	124.9	82.2	70.6		51.9%
EBIT	(A\$ m)	115.0	73.0	63.0	69.0	57.5%
NPAT	(A\$ m)	54.9	19.7	18.8		178.7%
Total Assets	(A\$ m)	2602.9	2625.4	2666.2		(0.9%)
Funds Employed	(A\$ m)	1783.7	1822.9	1990.8		(2.2%)
Employees		6,899	7,012	6,896	7,407	(1.6%)
EBITA Margin on Sales	(%)	8.2	5.6	5.6		
EBITA Return on Funds Employed	(%)	14.0	8.9	7.0		
Return on Equity	(%)	9.6	4.0	3.7		
Gearing (net debt:net debt plus equity)	(%)	28.7	34.1	41.1		
Interest times cover		4.6x	2.4x	2.0x		
Earnings per share (based on number of shares at the end of the period)	(cents)	10.1	3.7	4.1		173%
Divided per share	(cents)	5.0	3.0	3.0		

Financials – by business division

Operations Review for the Six Months to December 31 2002												
	OneSteel - total			Australian Distribution			Australian Manufacturing			International Distribution (NZ)		
	2002	2001	%	2002	2001	%	2002	2001	%	2002	2001	%
Revenue (A\$ m)	1,525.0	1,473.2	3.5	824.2	769.8	7.1	872.2	820.2	6.3	142.6	160.4	(11.1)
EBITDA (A\$ m)	168.2	125.6	33.9	53.5	48.1	11.2	114.7	79.5	44.3	17.7	13.0	36.2
EBITA (A\$ m)	124.9	82.2	51.9	45.2	39.3	15.0	82.1	47.6	72.5	15.6	10.5	48.6
EBIT (A\$ m)	115.0	73.0	57.5	36.8	31.7	16.1	81.1	46.6	74.0	15.1	9.9	52.5
Assets (A\$ m)	2,602.9	2,625.4	(0.9)	988.9	941.3	5.1	1,503.1	1,550.1	(3.0)	139.7	123.0	13.6
Employees	6,899	7,012	(1.6)	2,448	2,425	0.9	3,659	3,897	(6.1)	613	573	7.0
Sales Margin %	8.2	5.6	46.4	5.5	5.1	7.8	9.4	5.8	62.1	10.9	6.5	67.7
Funds Employed (A\$ m)	1,783.7	1,822.9	(2.2)	798.9	770.1	3.7	1,080.3	1,140.8	(5.3)	114.0	96.7	17.9
ROFE %	14.0	8.9	57.3	11.3	10.2	10.8	15.1	8.3	81.9	28.2	21.7	30.0

Upcoming Project Flow

Current

- Alice Springs to Darwin Rail
- Comalco Plant - Gladstone
- Woodside 4th train
- Queen Victoria Bld - Melbourne
- Eureka Bld - Melbourne
- World Square – Sydney
- Lang Park Brisbane
- Southbank development – Melbourne
- Exhibition Street development – Melbourne
- Regional Fast Train – Victoria
- Melbourne Cricket Ground
- Tasmanian Windtowers
- BHP Billiton Area C
- Stanwell Magnesium

Upcoming

- AMX Magnesium Plant
- Sunland – Gold Coast
- Chatswood to Parramatta Rail Link
- Western Orbital - Sydney
- Melbourne Cricket Ground
- RAC Track upgrade
- Rhodes Shopping Complex
- Woodside 5th Train
- Darwin LNG
- SAMAG

Outlook, Strategy, Priorities, Opportunities

- **Expectations are for a three year up cycle in the construction industry (58% of OneSteel's activity).**
- **The most obvious restructuring is complete but ongoing benchmarking against international peers has identified areas in which productivity can be enhanced and costs cut. Distribution more than manufacturing has most room to improve.**
- **Planning and funding of the Whyalla blast furnace reline is underway as is the build up of inventory. The reline will occur in June/July 2004. It will require capital expenditure of \$80 million which will be spread over three years and necessitate inventory peaking at \$95 million. An experienced team comprising OneSteel people and outside consultants has been put in place. Many of the individuals have had experience with successful blast furnace relines.**

Focus for next three years

- **OneSteel will continue to focus on cash generation, debt and cost reduction, revenue enhancements and capital management to improve its balance sheet.**
- **Second stage restructuring initiatives include plant configuration, operational excellence, developing iron ore resources beyond proven reserves, shared services, information systems and product complexity, boosting OneSteel's profitability throughout the cycle. Ways to increase profitability include moving customers towards ordering in bulk or earlier payment, getting customers to transport products themselves or to asking customers to pay higher prices**
- **A stronger balance sheet will position OneSteel for bolt-on acquisitions to enhance market positions and manufacturing synergies. Growth options are both organic and 'step change' in nature. OneSteel is well positioned to participate in steel industry rationalisation and consolidation**