

International Roadshow September 2004

onesteel

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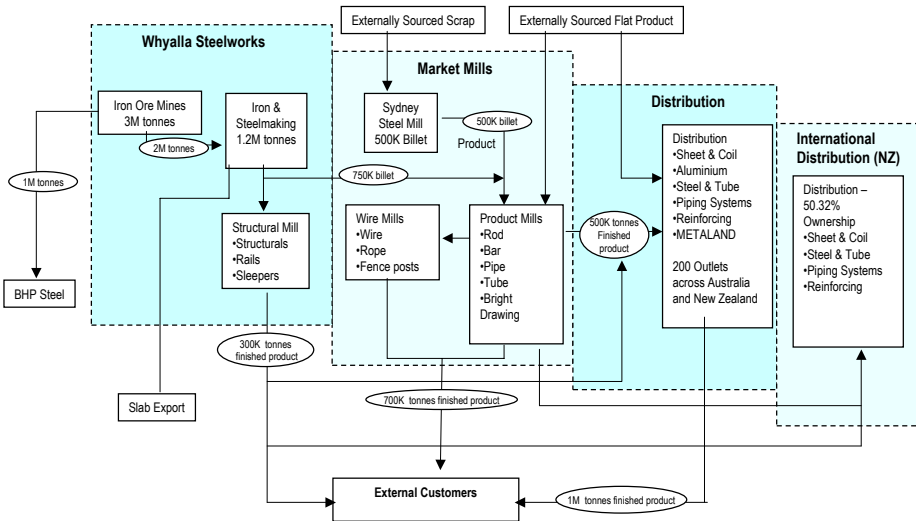
- **Overview**
- **Financials**
- **Operations Review**
- **Major Project Status**
- **Way Forward**
- **Attachments**

OneSteel Overview

- OneSteel is Australia's largest manufacturer and leading distributor of steel long products
 - Production capacity of 1.7 million tonnes
 - 1.2 million integrated steelworks
 - 0.5 million tonnes electric arc furnace route
- Key Statistics
 - AUS\$3.3 billion revenue
 - 30,000 plus customers
 - 40,000 product lines
 - 7,000 staff
 - 200 locations across Australasia
- Strong domestic Australia / New Zealand focus
- Positioned to grow through the cycle



OneSteel Product Flow



Overview - Highlights

- Record profit
- Overall performance good in extremely dynamic market
- Domestic market activity remained robust during the year
- Australian dollar appreciation affected mainly first six months trading
- International steel markets grew strongly on back on China demand
- Significant international steel price increases in the second half
 - Two impacts for OneSteel
 - Increased costs – scrap and hot rolled coil
 - Upward adjustment of domestic steel prices to reflect increased costs
- Midalia acquisition completed in February
- Blast furnace reline construction complete – in commissioning/ramp-up phase
- Project Magnet approved – early stages of project underway
- Final Dividend of 7.0 cents fully franked declared, up from 6.0 cents last year

Highlights – Detail

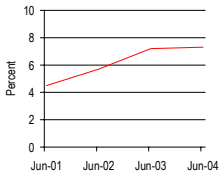
- **Improved Market activity – up in OneSteel segments by 3.5%**
 - Three construction segments (60% of OneSteel revenue) up 5.0%
 - Residential was up but now slowing
- **Business Performance**
 - Sales margins held in difficult trading environment
 - Excellent performance across all businesses
- **Business Improvement Program**
 - Cost increases of \$71 million
 - Cost reductions of \$50 million
 - Revenue enhancements of \$28 million
- **Staff increased by 3.1% partly due to small “bolt-on” acquisitions**
- **Safety performance improved 10%. MTIFR of 14.2 lowest on record. LTIFR of 2.6 per million man hours worked, up from 1.7**
- **Adjusted tonnes (excl. special projects) dispatched up 5.0%**
 - Domestic up 4.3%
 - Exports up 21% to 4.7% of total dispatches
- **Underlying price per tonne (excl. special projects) increased 1.7%**
 - Underlying domestic prices up 2.4%
 - Export prices down 12.6% in AUD

Market Drivers - OneSteel Key Segments

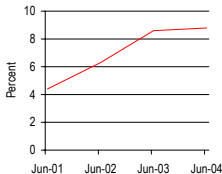
Segment	% of OST Revenues	% Change June 03 – June 04
Non-Res Construction	26	6.2
Engineering	21	3.2
Residential	15	5.4
Other Manufacturing	12	3.4
Mining	11	-2.0
Agricultural	6	-1.5
Automotive	5	3.4
Total Weighted Change		3.5

Trends in Key Financials

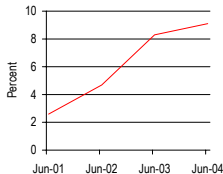
Sales Margin (EBITA)



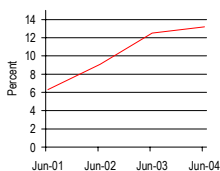
Return on Assets (EBITA)



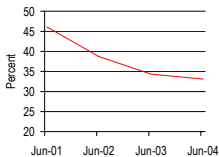
Return on Equity



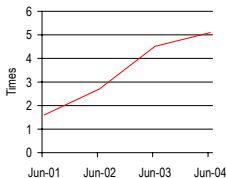
ROFE (EBITA)



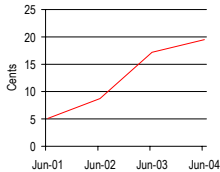
Gearing Ratio Incl Securitisation



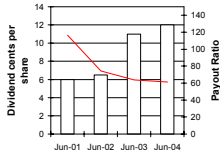
Interest Cover



Earnings Per Share



Dividends and Payout Ratio



Financial Highlights - Details

- Record net operating profit after tax of \$108.1 million on \$3.3 billion in sales
- Total net profit after tax was \$127.9 million after tax consolidations
- Earnings per Share grew from 17.2 cents to 19.5 cents
- Free Cash Flow of \$43.9 million - \$120.0 million excluding blast furnace reline associated expenditure
- Net debt held steady
- Gearing improved to 33.1% from 34.3% (including securitisation) and borrowing costs fell to \$42.2 million from \$44.5 million
- Interest cover of 5.1 times compared with 4.5 times a year ago
- Return on funds employed of 13.2%
- Full-year dividend of 12.0 cents

Australian Distribution – Results

\$A Millions	2004	2003	2002	2001	% chg 03/04
Revenue	1,835.6	1,649.6	1,531.8	1,245.0	11.3
EBITDA	117.0	101.4	94.5	70.7	15.4
EBITA	99.1	84.7	77.7	54.6	17.0
Assets	1,094.6	998.0	999.0	926.4	9.7
Employees	2,712	2,501	2,446	2,531	8.4
Sales Margin %	5.4	5.1	5.1	4.4	5.9
ROFE %	12.7	10.9	10.3	7.6	16.5
Ext. Tonnes Dispatched	1,193,774	1,121,051	1,050,608	903,491	6.5

Manufacturing - Results

\$A Million	2004	2003	2002	2001 exc prov	% chg 03/04
Revenue	1,841.9	1,753.8	1,727.9	1,555.8	5.0
EBITDA	202.3	193.0	148.8	127.2	4.8
EBITA	140.2	128.5	86.3	65.0	9.1
Assets	1,632.7	1,519.6	1,498.3	1,575.9	7.4
Employees	3,562	3,604	3,760	4,066	(1.2)
Sales Margin %	7.6	7.3	5.0	4.2	4.1
ROFE %	12.9	11.8	7.7	5.6	9.3
Tonnes Disp - External	965,762	1,103,088	1,125,805	1,221,582	(12.4)
Tonnes Disp - Internal	785,579	711,370	707,328	572,515	10.4
Steel Tonnes Produced	1,618,855	1,624,399	1,576,650	1,438,770	(0.003)

International Distribution – Results

\$A Million	2004	2003	2002	2001	% chg 03/04
Sales	340.3	290.8	289.2	312.2	17.0
EBITDA	47.6	36.6	30.7	29.3	30.1
EBITA	42.7	32.0	26.1	23.8	33.4
Assets	172.2	156.1	133.1	174.0	10.3
Employees	793	765	620	700	3.7
Sales Margins %	12.5	11.0	9.0	7.6	13.6
ROFE %	31.7	27.0	20.5	16.2	17.4

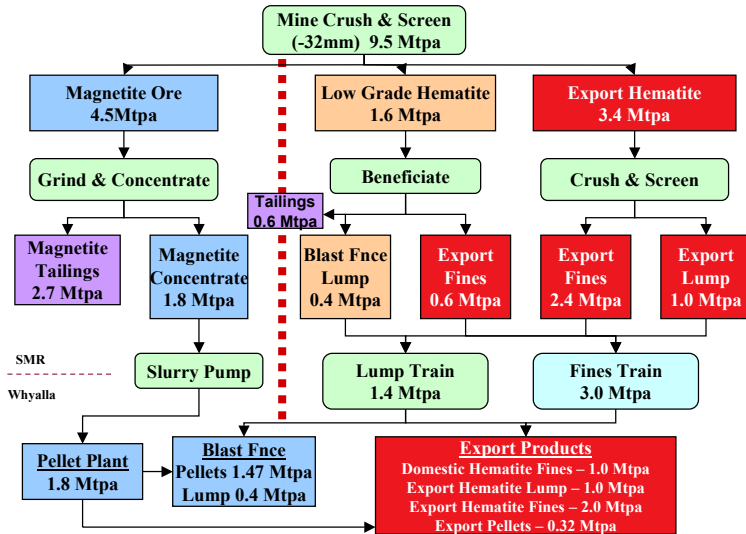
Blast Furnace Reline

- Blast Furnace Reline commenced 4th June total project 95 days
- Construction phase complete - time overrun 8 days
- Commissioning/ramp-up phase going well and ahead of schedule
- As at 2/9/04 22,000 tonnes of steel produce
- Estimated total expenditure approximately \$110 million \$20 to \$30 million over initial estimate
- No material impact on 2005 financials
- No impact on market supply

Project Magnet - Overview

- **Project Magnet**
 - **Develop and use magnetite (Fe_3O_4) resource to feed the steelworks**
 - **Frees incremental (~30M t) hematite (Fe_2O_3) reserve for export**
- **Benefits**
 - **Extends life of Whyalla well past 2020 to at least 2027**
 - **Margin improved from lower cost of steel production**
 - **Revenue improved from new “near core” business in hematite export sales**
 - **Environmental improvements – dust reduction**
- **Timing fully operational 2006/07**
- **Cost – total expenditure including mine stripping approximately \$250 million**

Magnet – Capacities and Material Flows



Value in Use of Magnetite Feed

- Improves margin by lowering the cost of steel production by up to 5%.
 - Higher Fe content of pellets (increase from 60% currently to 65%)
 - Lower Pelletising energy demand
 - Lower blast furnace flux additions ∴ lower slag volume
 - Lower steelmaking costs
 - Lower phosphorous
 - Reduced flux additions
 - Improved metallic yield
 - Offsets include magnetite ore beneficiation and desulphurisation

Project Magnet – Revenue

- **Hematite ore, pellet and incremental slab sales over 10 years generate revenues in excess of \$1 billion – approximately**
 - **30 Mt hematite**
 - **3.2 Mt pellets**
 - **1 Mt slab**
- **Revenue based on JSM benchmarks**
- **Assumed a conservative forward price curve**

Project Magnet - Costings

- **Total expenditure including mine cut back costs approximately \$250 million**
 - **Major components (in order of mining through the chain)**
 - **Mine cutback (preparation) and tailings dam**
 - **Concentrator for beneficiating magnetite**
 - **Slurry pipeline of approximately 62km to convey magnetite concentrate to steelworks**
 - **Pellet plant facilities conversion**
 - **Hematite storage and jetty upgrade**
 - **Desulphurising plant at steelmaking plant**

Project Magnet - Next Steps Include

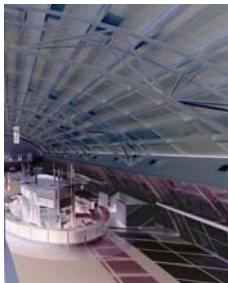
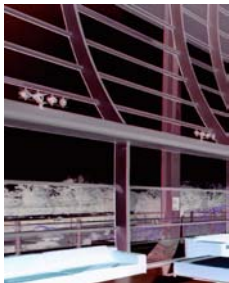
- **Board has approved commencement and committed \$30 million to progress the project**
- **Initiate implementation program**
- **Board Approval required for:**
 - construction contract
 - appoint a marketing agent
 - finalise transhipping arrangements
- **Board Review**
 - government approvals

Strategy & Opportunities

- Continue to improve business performance
- Main Priorities
 - Managing costs down, cash generation, improving working capital management
 - Manage Major Projects to Successful Outcomes
 - Blast furnace ramp-up
 - Project Magnet
- Longer term strategic growth options
 - Organic or “step change” nature

Summary and Outlook

- Overall construction activity remains strong
- International markets remain very dynamic
- Continued performance improvement from OneSteel initiatives
- Company in good financial position
- Complete blast furnace commissioning and ramp-up
- Delivering Project Magnet major focus over the next two years



Attachments

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Financial Performance

	Statutory			Pro Forma	% chg 03/04
\$A Million	2004	2003	2002	2001 excl prov	
Sales	3,269.2	3,060.6	2,906.0	2,637.7	6.8
EBITDA	324.2	307.6	251.0	202.6	5.4
Dep and Amort	108.1	106.3	103.1	99.2	1.7
EBITA	237.1	221.1	166.8	118.0	7.2
Borrowing Costs	42.2	44.5	54.4	61.8	(5.2)
Profit Before Tax	173.9	156.8	93.5	41.6	10.9
Tax	53.4	53.3	39.0	12.1	0.2
NOPAT	108.1	94.0	47.1	23.6	15.0
NPAT	127.9				36.1
EPS (cents)	19.5	17.2	8.7	5.1	
ROFE %	13.2	12.5	9.1	6.3	
Full Yr Dividend (cents/share)	12.0	11.0	6.5	6.0	

Non-Trading Items

Additions	Millions
<ul style="list-style-type: none">• Profit/loss on sale of assets	\$ 16.6
Subtractions	
<ul style="list-style-type: none">• Restructuring costs	\$ 5.8
<ul style="list-style-type: none">• Profit in Stock Adjustment	\$ 4.2
<ul style="list-style-type: none">• Interest on SDL loan balance	\$ 0.3
Total	\$10.3
Net Benefit/(Loss)	\$ 6.3

Blast furnace reline P&L impact neutral

Financial Position

\$A Million	Jun 2004	Jun 2003	Jun 2002	Jun 2001	% Chg 03/04
Total Assets	2,803.2	2,577.0	2,582.0	2,710.8	8.8
Liabilities	1,429.8	1,292.0	1,359.4	1,594.6	10.7
Net Assets	1,373.4	1,285.0	1,222.6	1,116.2	6.9
Net Debt	469.0	470.2	571.6	762.4	(0.3)
Inventory	704.6	591.0	574.1	540.3	19.2
Funds Employed	1,842.4	1,755.2	1,794.2	1,878.6	5.0
Gearing % (net debt/net debt plus equity)	25.7	26.8	31.9	40.6	
Gearing % (including securitisation)	33.1	34.3	38.7	46.3	
Interest Cover - times	5.1	4.5	2.7	1.6	
NTA /Share \$	1.93	1.77	1.69	1.81	

Cash Flow

\$A Million	Statutory		Pro Forma	
	Jun 2004	Jun 2003	Jun 2002	Jun 2001
Earnings before Tax	156.9	157.9	86.8	47.5
Dep. & Amort.	108.1	106.3	103.1	99.2
Capital and Inv Exp	(151.4)	(130.9)	(70.8)	(108.4)
Working Cap movement	(46.2)	17.5	(76.5)	183.2
Income Tax Payments	(33.8)	(24.0)	(20.8)	(39.6)
Asset Sales	45.3	16.7	56.2	116.8
Other (SDL Loan)	6.0	(1.0)	65.9	(128.6)
Operating Cash Flow	84.9	142.5	143.9	170.1
Free Cash Flow	43.9	154.9	28.5	220.8
Add back Blast Furnace	76.1			
Adj Free Cash Flow	120.0			

Cash Flow Reconciliation

\$A Million	Statutory			Pro Forma
	Jun 2004	Jun 2003	Jun 2002	Jun 2001
EBITDA (Adj for Profit on Asset Sales)	307.6	307.6	251.0	181.7
Interest	(42.2)	(44.5)	(54.4)	(61.8)
Tax	(33.8)	(24.0)	(20.8)	(39.6)
Capital Expenditure	(141.5)	(101.5)	(70.8)	(42.7)
Working Cap (adj SDL Loan)	(46.2)	17.3	(76.5)	183.2
Free Cash Flow	43.9	154.9	28.5	220.8
- Less Investments	(9.9)	(29.4)	0	(65.7)
- Plus Asset Sales	45.3	16.7	56.2	116.8
- Other	5.6	0.3	59.2	(101.8)
Operating Cash Flow	84.9	142.5	143.9	170.1

Tax Consolidation Impact

Entry into the tax consolidation regime has allowed OneSteel to gain an uplift in the tax base of assets using the Allocable Cost Amount method (ACA). The adjustment to the deferred tax liability of \$19.8m has been booked in the year as a reduction to tax expense. This amount is a real cash benefit to OneSteel as it will be recovered over the remaining life of the assets via increased tax depreciation.

International Financial Reporting Standards

Major impacts are

- **Goodwill**
 - No Amortisation
 - Subject to annual impairment testing, including revised definitions of “cash generating units” and applicable discount rates
- **Financial instruments**
 - Hedge accounting may not apply in some areas
 - Increased volatility in earnings via fair valuing of all financial instruments
 - Securitisation may come back on balance sheet
- **Defined benefit superannuation fund**
 - Surplus/deficit to be recognised in OneSteel’s balance sheet
- **Business Combinations**
 - Restricted ability to create restructuring provisions for acquisitions
- **Further information refer to Note 33 to the Statutory Accounts**

Superannuation – Defined Benefit Fund

Current Policy

- Surpluses/Deficits maintained in the fund
- Adjust Contribution rates to manage surpluses/deficits
- Regular audits undertaken

Current Position

- Fund Value \$291.7 million
- Small Surplus

Future Position

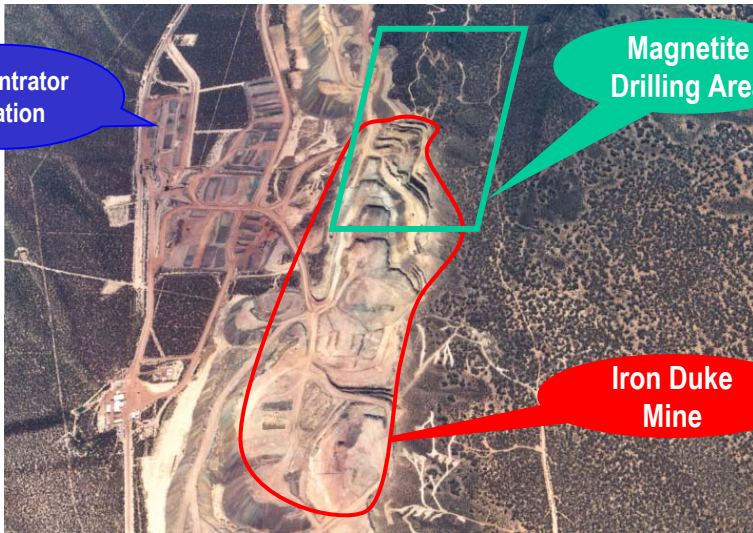
- Surplus/deficit to be brought to account in 2005 under International Accounting Standards

Project Magnet – Resource Location

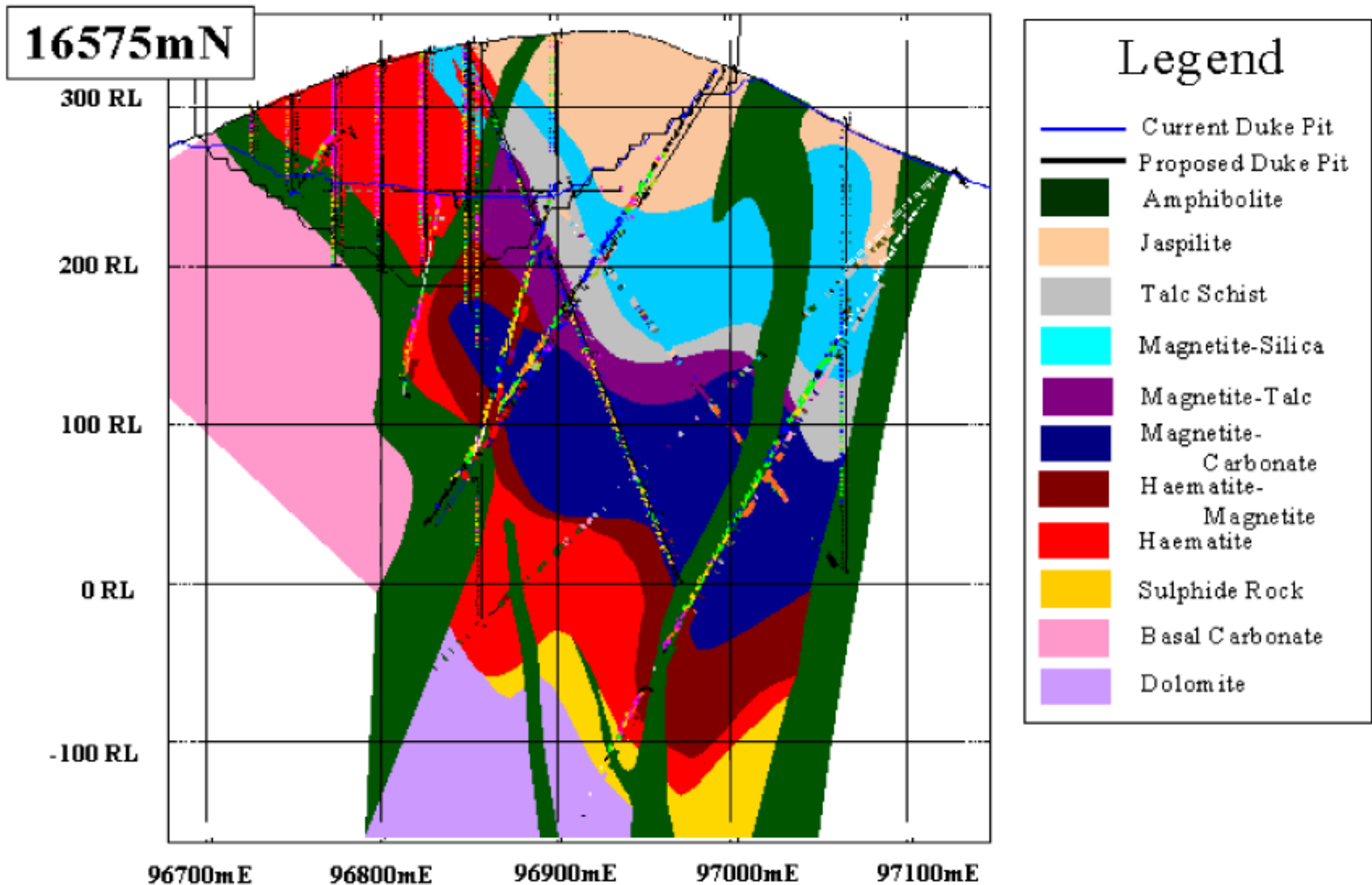
Concentrator
Location

Magnetite
Drilling Area

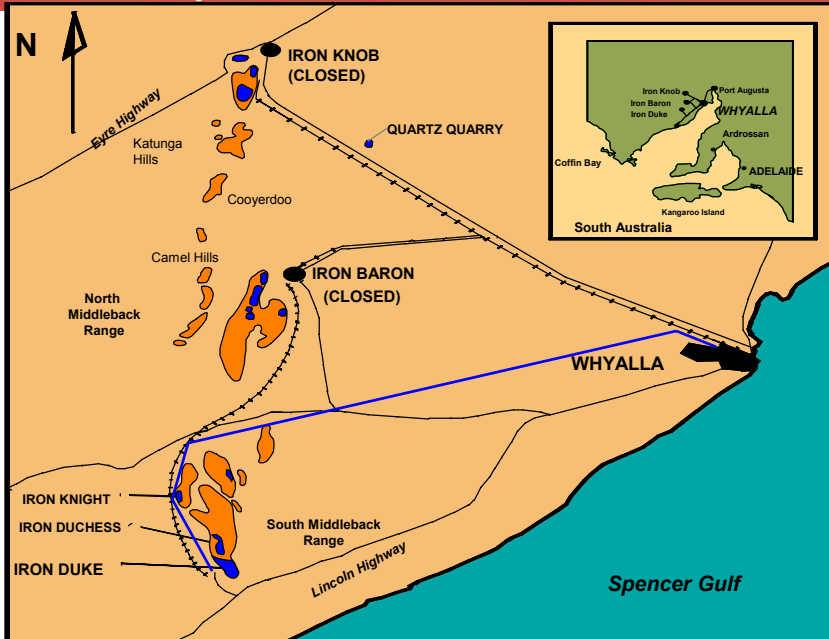
Iron Duke
Mine



Iron Magnet - Geology



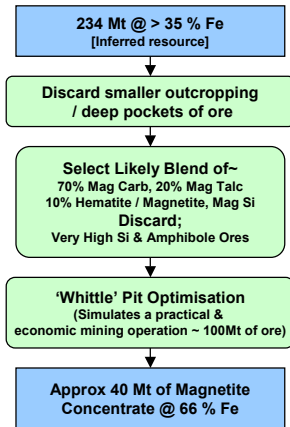
Slurry/Water Line Route



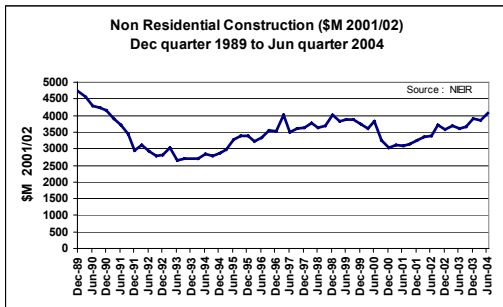
Magnetite Resource Evaluation - Concept

Magnetite Ore to Concentrate

- Total Magnetite Resource in South Middleback Ranges
- Select target area of most likely mineable magnetite deposit
- Select ore types that are 'usable' in beneficiation process, in percentages that are achievable
- Pit Optimisation Process
(What is economically minable)
- Beneficiation process with 40% mass recovery, producing concentrate at ~ 66% Fe

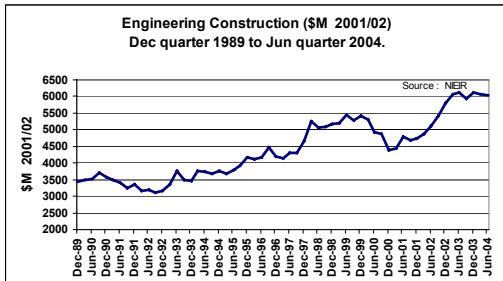


OneSteel Key Segments



**Represents 26% of
OneSteel Activity**

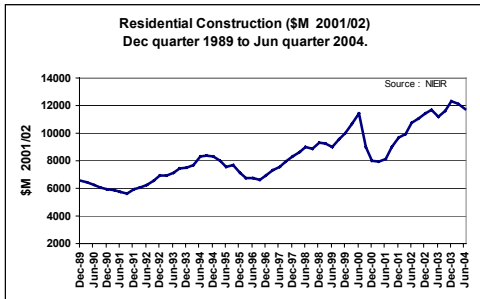
**6.2% year on year
increase in value of
work**



**Represents 21% of
OneSteel Activity**

**3.2% year on year
increase in value of
work**

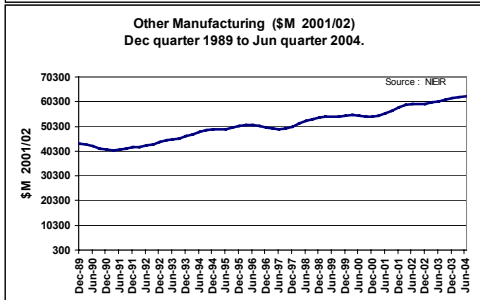
OneSteel Key Segments



Represents 15% of OneSteel Activity

5.4% year on year increase in value of work

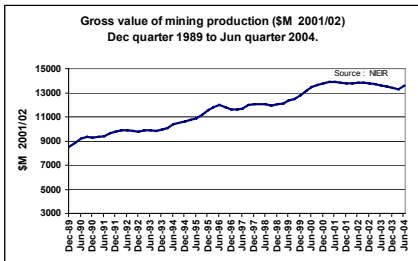
Overall construction segment (62% of OneSteel revenue) up 5.0%



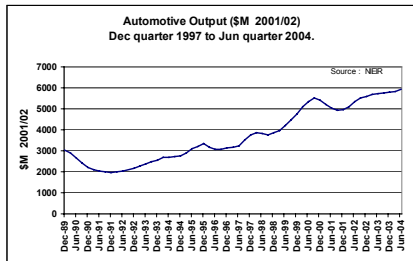
Represents 12% of OneSteel Activity

3.4% year on year increase in value of work

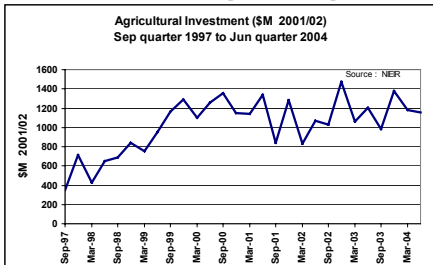
Overall Increase In OneSteel Key Segments 3.5%



11% of OneSteel Activity
2.0% decrease year on year



5% of OneSteel Activity
3.4% increase year on year



6% of OneSteel Activity
1.5% decrease year on year

Major Project Flow

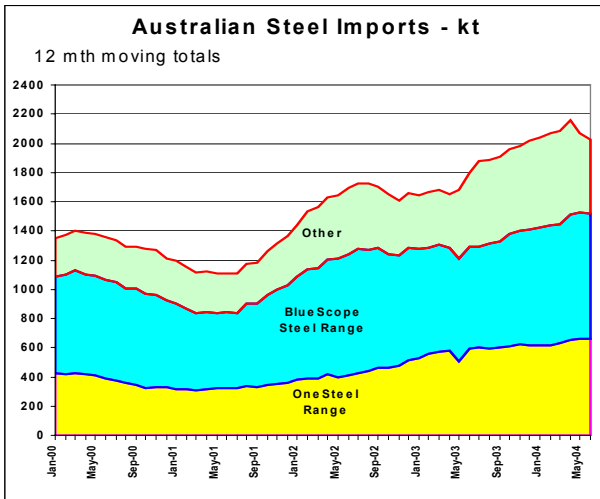
Current

- Chatswood to Epping Rail Link
- Telfer Mine expansion
- Darwin LNG
- Darling Island
- The Village Meriton - George Street
- Hi-Smelt
- Comalco WEIPA Refinery
- M7 Western Orbital – Sydney
- Sydney CBD Cross-City Tunnel
- Rhodes Shopping Centre (Stage 2)
- Eureka Building – Melbourne
- Herald Weekly Times Tower – Melbourne
- Aurora Tower – Brisbane
- Melbourne Cricket Ground
- Perth-Mandurah Rail Link
- Brighton on Broadwater – Gold Coast
- Ephrim Island – Gold Coast
- Spencer Street Station
- Adelaide Airport
- Conder Docklands Melbourne
- Minerva Gas – Victoria
- Burrup Fertiliser
- Alcoa Pinjarra Upgrade – WA
- Brisbane Airport Carpark
- Albany Grain Terminal

Upcoming

- Ravensthorpe Nickel – WA
- Yabulu Refinery
- BHP Billiton Area C
- Alcan Gove Expansion
- Falcan Bridge (New Caledonia)
- Brisbane Water Treatment Plant
- Apache Gas field development
- Comet Coal – Blackwater Queensland
- Amcor – SA
- Lane Cove Tunnel
- GABBA – Brisbane - extension
- Worsley Alumina Refinery Upgrade
- Comalco Refinery SE Qld
- Alcoa Wagerup
- Woodside modules
- Woodside Train 5
- Otway Gas – Victoria
- Scoresby Bypass

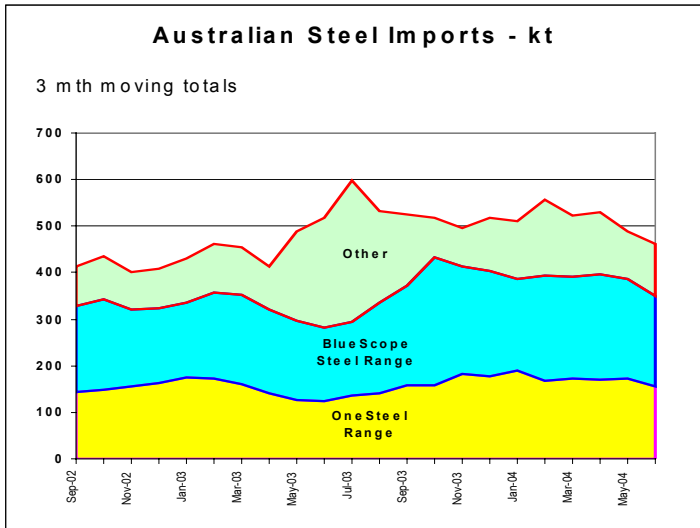
Imports into Australia



Source: Australian Bureau of Statistics and OST data

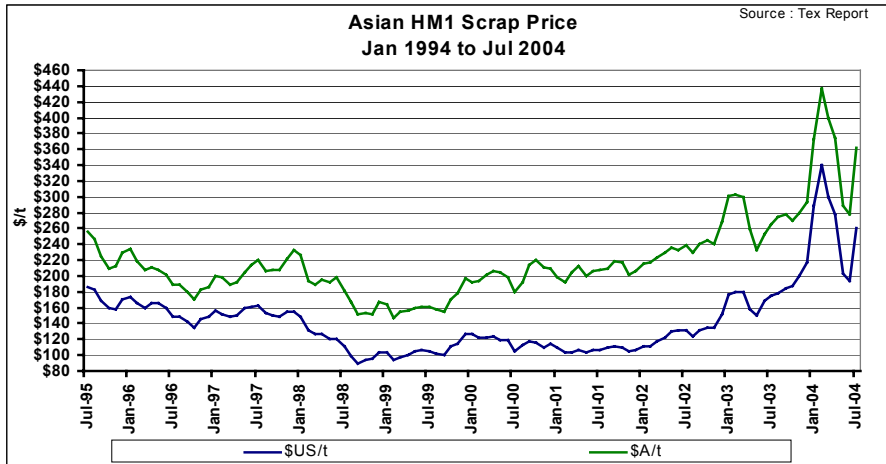
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Imports into Australia

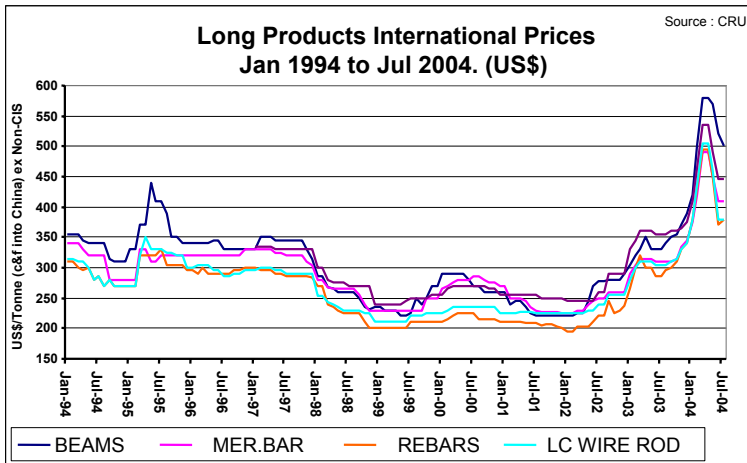


Source: Australian Bureau of Statistics and OST data

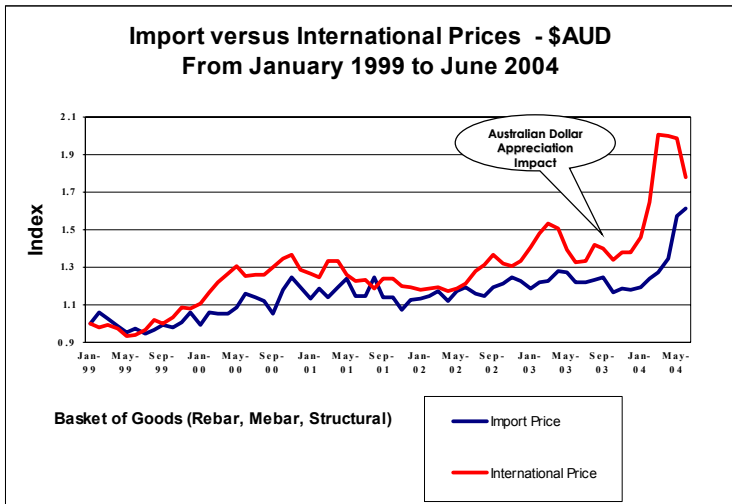
Scrap Prices



Trends in International Long Product Steel Prices



Import versus International Prices

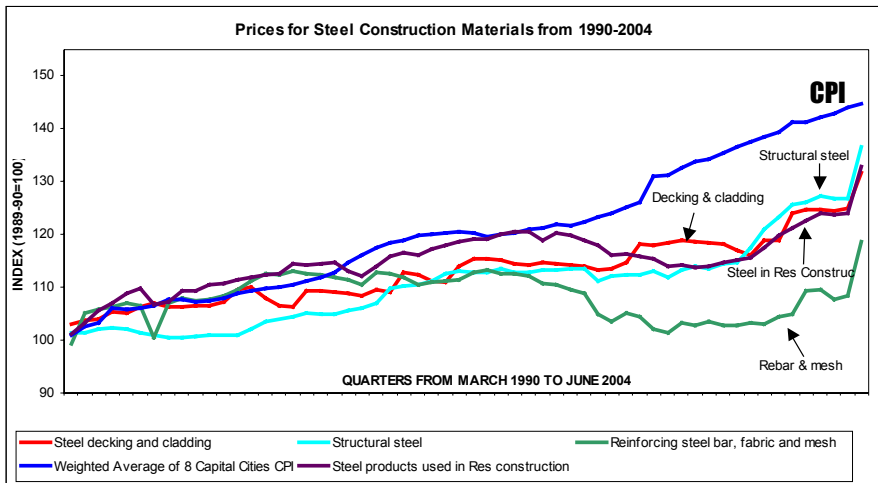


Source: Australian Bureau of Statistics and OST data

OneSteel Price Increases

- ❖ **Price increases since January 2004:**
 - **SIC - 4% Feb 04+ 6% Apr 04 + 16% rebar May 04**
 - **Whyalla Structurals – 7% April 04**
 - **Merchant Bar – 10% March 2004**
 - **Manufacturers Wires – 4% March 04**
 - **Structural Pipe & RHS – 6.5% April 04**
 - **Rural Wire – 5% May 04**
 - **Fence Posts – 8% April 04**
- ❖ **Announced Price Increases:**
 - **Whyalla Structurals – 10% July 04**
 - **Structural Pipe & RHS – 9.3% July 04**

Australian Steel Price Index



Source: Australian Bureau of Statistics

International Freight Rates

Bulkcarrier Spot Earnings (\$,000's/Day)

