

OneSteel Limited

Presentation by Dr Bob Every

Managing Director and CEO of OneSteel Limited

Macquarie Conference on the Australian Construction Cycle

8 November 2004

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OneSteel in the Construction Sector

- **Australia's largest manufacturer of long steel products**
 - Production capacity of 1.7 million tonnes
 - Total dispatches of 2.2 million tonnes per annum
- **Strong domestic Australia/New Zealand focus**
- **A leading distributor of steel and metal products**
 - 170 locations across Australia
 - 30,000 customers
 - 40,000 product lines
- **A\$3.3 billion revenue**

OneSteel Strengths

Competitive Advantages

- **Vertically Integrated Business**
- **Low-Cost, High-Quality Iron Ore**
- **Flexibility in Steelmaking – Blast Furnace and Electric Arc Furnace**
- **Leading Metals Distributor**
- **Strong Cash Flows**

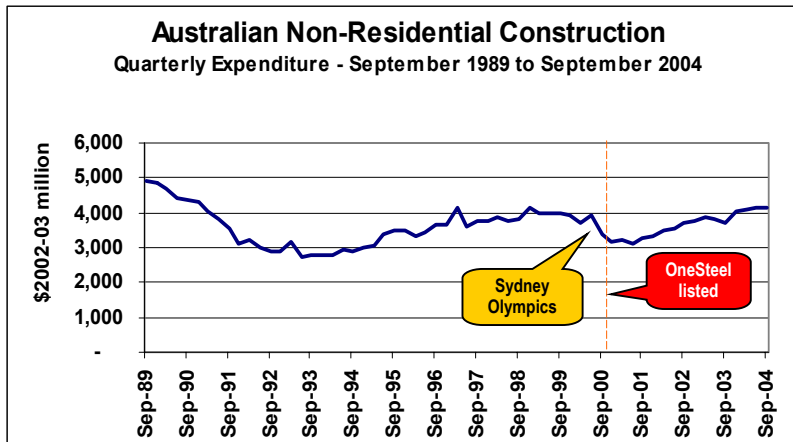
Market Positioning

- **Long Products Market Leader**
- **Strong Brand Names**
- **Restructured Business**
- **Rational Domestic Industry Structure**

Market Drivers - OneSteel Key Segments

Economic Segment	% of OST Revenues	% Change Jun 03 – Jun 04
Non-Res Construction	26	6.2
Engineering	21	3.2
Residential	15	5.4
TOTAL CONSTRUCTION	62	5.0
Other Manufacturing	12	3.4
Mining	11	-2.0
Agricultural	6	-1.5
Automotive	5	3.4
Total Weighted Change		3.5

OneSteel Key Segments - Construction



Source: NIEIR

**Represents 26% of
OneSteel Activity**

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

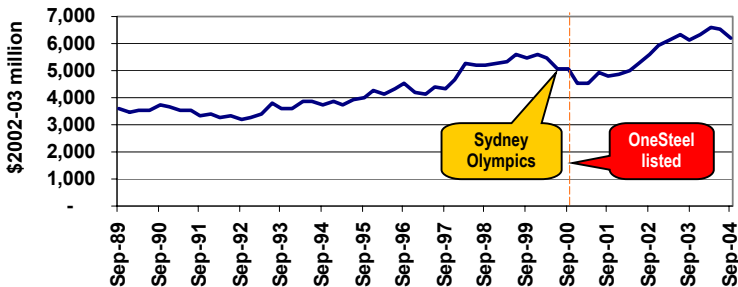
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Slide 5

OneSteel Key Segments - Construction

Australian Engineering Construction

Quarterly Value of Work September 1989 - September 2004



Source: NIEIR

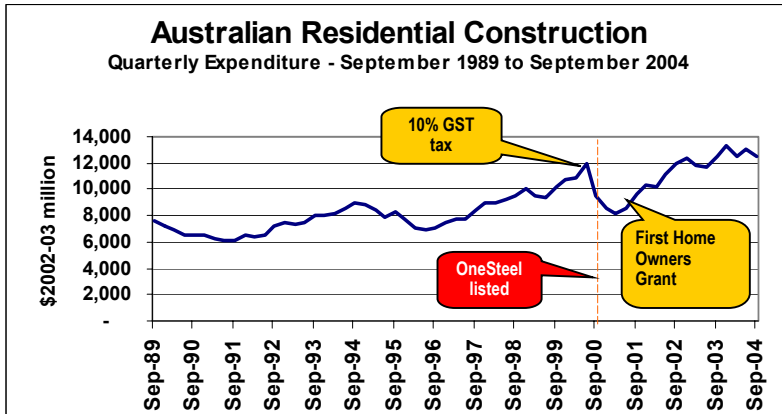
**Represents 21% of
OneSteel Activity**

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

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Slide 6

OneSteel Key Segments - Construction



Source: NIEIR

**Represents 15% of
OneSteel Activity**

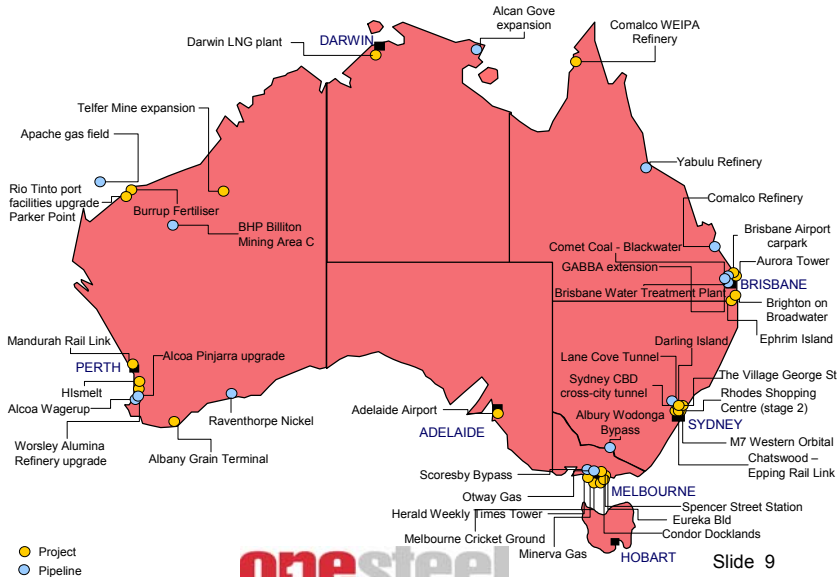
**5.4% year on year
increase in value of work**

Strength looks set to continue

- **Strong order book for reinforcing products**
- **NIEIR forecasts activity remaining high**
- **Strong pipeline of major projects**

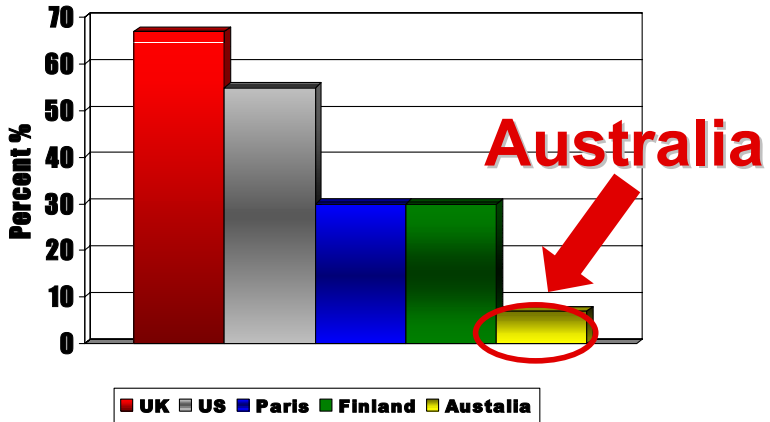
**An investment in OneSteel is
effectively an investment in the
Australasian construction sector**

Strong Domestic Market



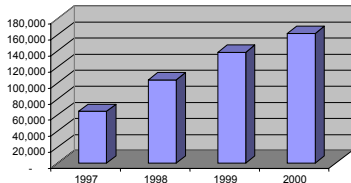
Steel and the Construction Sector

Steel Intensity in High-rise Buildings

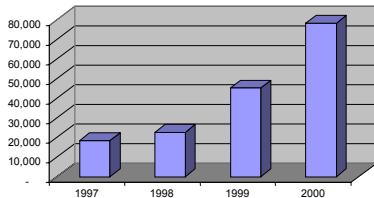


Steel in Residential Construction

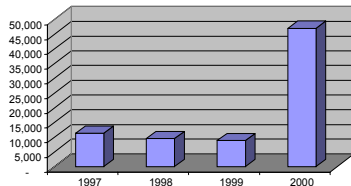
Tons of Steel Framing Used In US Residential Walls



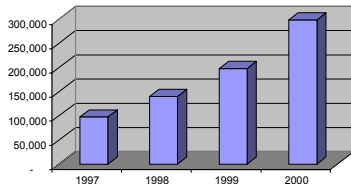
Tons of Steel Framing Used In US Residential Floors



Tons of Steel Framing Used In US Residential Roofs

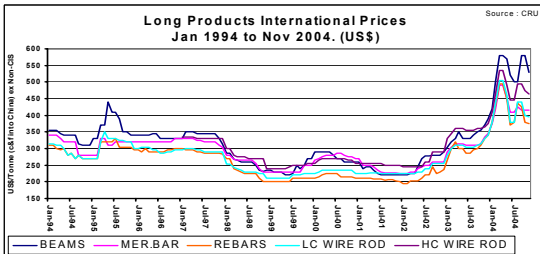


Tons of Steel Framing Used In US Residential Construction

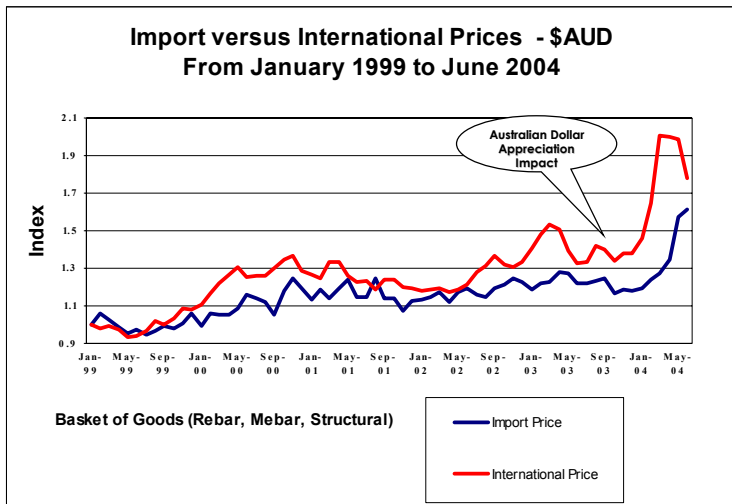


Source: Nucor

Domestic Construction Cycle & International Dynamics



Import versus International Prices

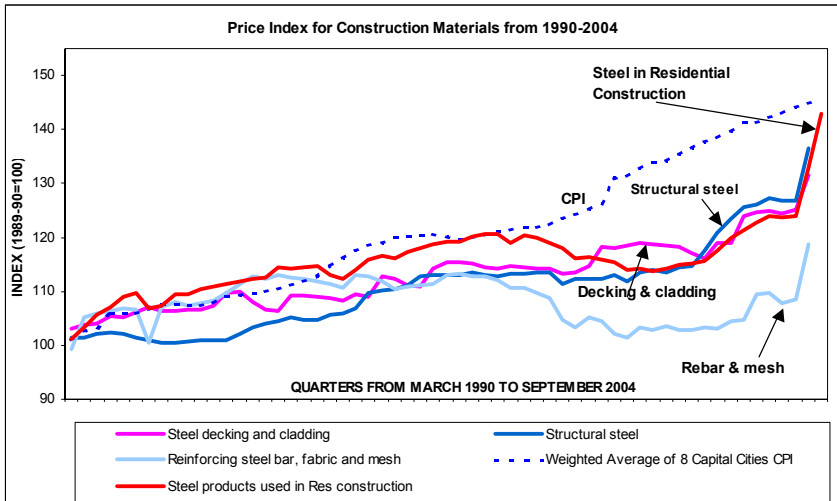


Source: Australian Bureau of Statistics and OST data

OneSteel Price Increases since January 2004

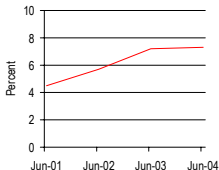
- **Reinforcing steel – 4% Feb + 6% Apr + 16% rebar May + 5% Oct**
- **Whyalla Structurals – 7% Apr, 10% July**
- **Structural Pipe & Rectangular Hollow sections – 6.5% Apr + 9.3% July**
- **Merchant Bar – 10% March**
- **Rural Wire – 5% May**
- **Fence Posts – 8% April**

Australian Steel Price Index

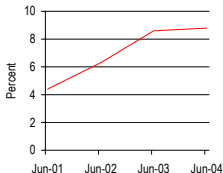


How OneSteel Has Performed So Far

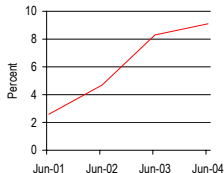
Sales Margin (EBITA)



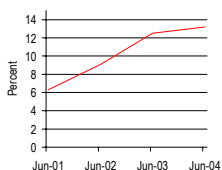
Return on Assets (EBITA)



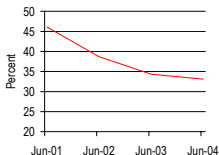
Return on Equity



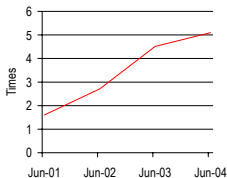
ROFE (EBITA)



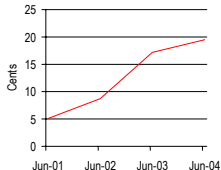
Gearing Ratio Incl Securitisation



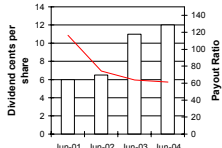
Interest Cover



Earnings Per Share



Dividends and Payout Ratio



Whyalla Blast Furnace Reline

- **Blast furnace decommissioned on 4 June, after 23 ½ years, one of the world's longest running campaigns**
- **The project, including commissioning and ramp-up, scheduled to take 95 days, took 98 days**
- **Blast furnace running at normal operating levels, underwriting 70% of OneSteel's steelmaking capability**
- **Total project cost currently expected to be around \$110 million - \$20 million to \$30 million higher than expected**
- **No material impact on 2004/05 financials**
- **Excellent safety performance throughout the project**
- **October production disruption**

The Future – Project Magnet

- **Approximately \$250 million expansion of iron ore mining operations to:**
 - **extend the life of Whyalla Steelworks to at least 2027**
 - **lower the cost of making steel by up to 5%**
 - **increase exports of iron ore by 3 million tonnes per annum for ten years**
 - **sale of 320,000 tonnes p.a. of iron ore pellets**
 - **sale of 100,000 tonnes p.a of slab steel**
- **Generate over \$1 billion in additional revenue over 10 years, with pellet and slab sales continuing beyond 10 years**
- **Expected to be fully operational in the 2006/07 financial year**

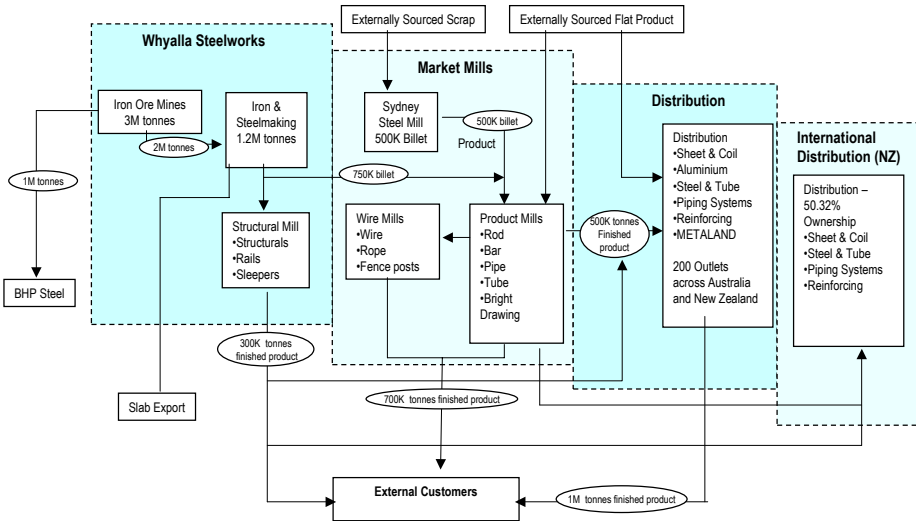
Conclusion

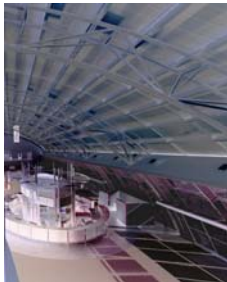
- **Construction activity recovered from a synchronised downturn in 2000 and is running at relatively high levels historically**
- **The domestic construction upswing coincided with extremely dynamic international steel markets**
- **This combination led to unprecedented domestic price increases for steel products used in construction**
- **Activity expected to remain at relatively high levels**
 - **Strong project flow**
 - **Nine-month visibility in reinforcing products order book**
 - **NIEIR forecasts**
- **Steel intensity in multi-storey and residential construction is low by world standards – an opportunity for growth**
- **Project Magnet brings diversification of earnings and a new source of revenue**

Attachment



OneSteel Product Flow





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