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# Full Year Results

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August 19 2003

# Introduction

- Result Overview
- Financials
- Operations Review
- Performance Improvements
- The Future

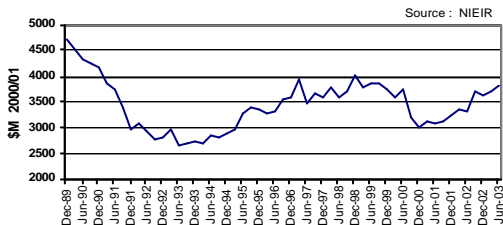
## Performance Highlights

- Sales up 5.3% \$3,060.6 m
- EBITDA up 22.5% \$ 307.6 m
- EBITA up 32.6% \$ 221.1 m
- Profit before tax up 67.7% \$ 156.8 m
- NPAT up 99.6% \$ 94.0 m
- Operating Cash Flow down 1.0% \$ 142.5 m
- Free Cash Flow up 443% \$ 154.9 m
  
- Gearing ratio decreased from 31.9% to 26.8%  
(Net debt to net debt plus equity)
- Final Dividend of 6.0 cents fully franked
- Full year Dividend 11.0 cents fully franked

# Overview - Highlights

- Improved Market activity – up in OneSteel segments by 5.2%
  - Tonnes dispatched up 2.2%
    - Domestic up 6.8%
    - Exports down by 51%
  - Underlying price per tonne (excl. special projects) increased 6.1%
    - Underlying domestic prices up by 3.5%
    - Export prices up by 37%
- Excellent manufacturing performance at Whyalla
- Inventory stock weeks remain below 10
- Business Improvement Program
  - cost reductions of \$56.2m
  - revenue enhancements of \$51.3m
  - staff increased by 0.9% with small “bolt-on” acquisitions
- No. 3 Tube Mill in Newcastle closed in April
- Safety performance improved 30%

**Non Residential Construction (\$M 2000/01)**  
Dec quarter 1989 to June quarter 2003

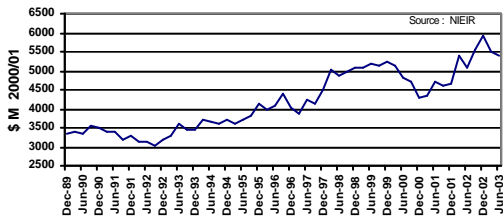


**Represents 22% of OneSteel Activity**

**7.4% year on year increase in value of work**

## OneSteel Key Segments

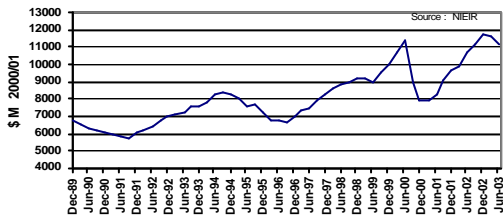
**Engineering Construction (\$M 2000/01)**  
Dec quarter 1989 to Jun quarter 2003.



**Represents 22% of OneSteel Activity**

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

**Residential Construction ( \$M 2000/01)**  
 Dec quarter 1989 to June quarter 2003.

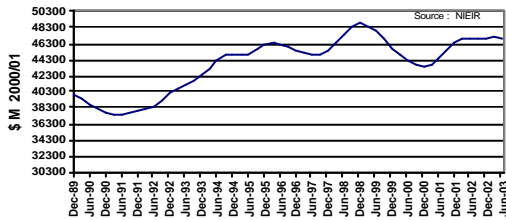


**Represents 14% of OneSteel Activity**

**10.8% year on year increase in value of work**

## OneSteel Key Segments

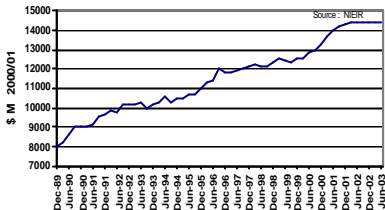
**Other Manufacturing ( \$M 2000/01)**  
 Dec quarter 1989 to June quarter 2003.



**Represents 14% of OneSteel Activity**

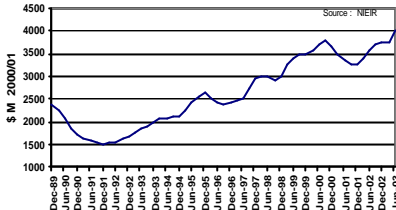
**1.5% year on year increase in value of work**

Gross value of mining production ( \$M 2000/01)  
Dec quarter 1989 to Jun quarter 2003.



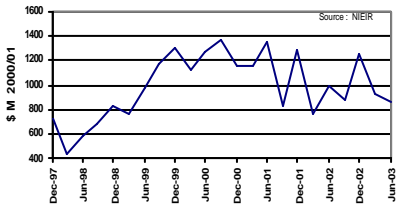
**12% of OneSteel Activity**  
**-0.9% decrease year on year**

Automotive Output ( \$M 2000/01)  
Dec quarter 1997 to June quarter 2003.



**5% of OneSteel Activity**  
**14.2% increase year on year**

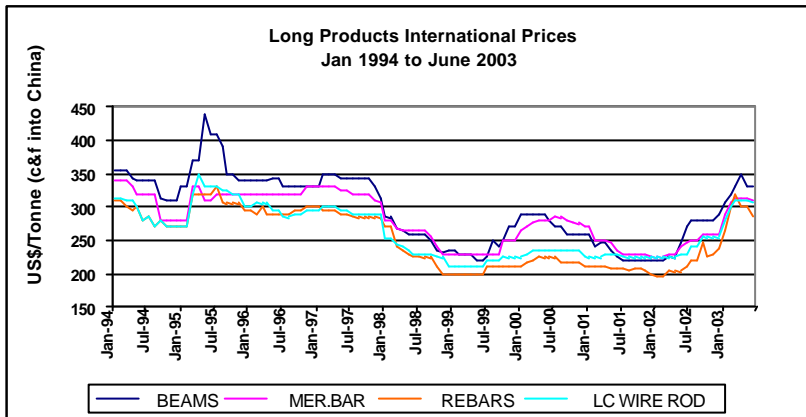
Agricultural Investment ( \$M 2000/01)  
Dec quarter 1997 to June quarter 2003.  
(Data to Jun 97 unavailable)



**7% of OneSteel Activity**  
**-1.6% decrease year on year**

**OneSteel Key  
Segments -  
Overall Increase  
5.2%**

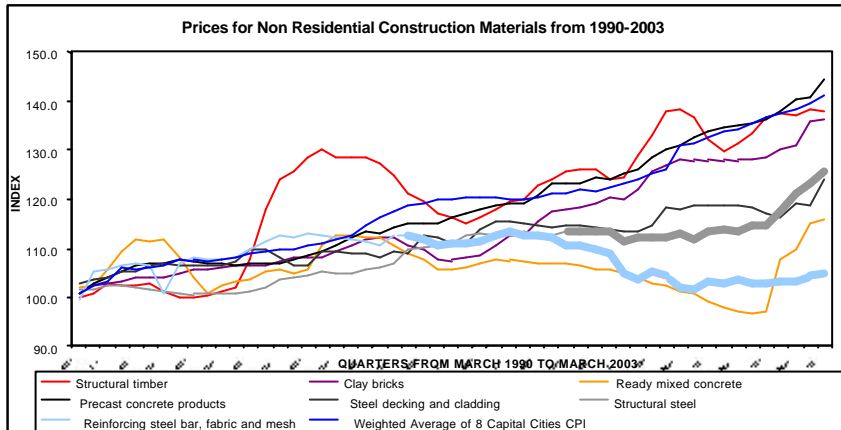
## Trends in steel prices





# Building Materials Price Index

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# Financials



# Financial 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
- Gearing improved to 26.8% from 31.9% and interest expensed down to \$44.5 million from \$54.4 million
- Interest cover 4.5 times compared with 2.7 times a year ago
- Private debt placement of US\$128 million
- Return on funds employed of 12.5%
- Full-year dividend of 11.0 cents

# Financial Performance

\$A Million	Statutory 2003	Statutory 2002	Pro Forma 2001 exc prov	% chg 02/03
Sales	3060.6	2906.0	2637.7	5.3
EBITDA	307.6	251.0	202.6	22.5
Dep and Amort	106.3	103.1	99.2	3.1
EBITA	221.1	166.8	118.0	36.1
Interest	44.5	54.4	61.8	(18.2)
Profit Before Tax	156.8	93.5	41.6	67.7
Tax	53.3	39.0	12.1	36.7
NPAT	94.0	47.1	23.6	99.6
EPS (cents)	17.2	8.7	5.1	
ROFE %	12.5	9.1	6.3	
Full Yr Dividend (cents/share)	11.0	6.5	6.0	

# Non-Trading Items

## Revenue

Email Management fees	\$6.8 m
Profit/loss on sale of assets	\$0.3 m
Total	\$7.1 m

## Costs

Restructuring costs	\$5.8 m
Write-down of Bekaert	\$1.9 m
Adj. to environmental provisions	\$(3.5)m
Write off of No 3 Pipe Mill	\$2.5 m
Interest on SDL loan balance	\$1.9 m
Total	\$8.6 m
Net	\$(1.5) m

# Financial Position

\$A Million	Jun 2003	Jun 2002	Jun 2001	% Chg 02/03
Total Assets	2577.0	2582.0	2710.8	(0.2)
Liabilities	1292.0	1359.4	1594.6	(5.0)
Net Assets	1285.0	1222.6	1116.2	5.1
Net Debt	470.2	571.6	762.4	(17.7)
Inventory	591.0	574.1	540.3	2.9
Funds Employed	1755.2	1794.2	1878.6	(2.2)
Gearing % (net debt/net debt plus equity)	26.8	31.9	40.6	
Gearing % (including securitisation)	34.3	38.7	46.1	
Interest Cover - times	4.52	2.71	1.6*	
NTA /Share \$	1.77	1.69	1.81	

\* Excluding restructuring

# Cash Flow

\$A Million	Statutory Jun 2003	Statutory Jun 2002	Pro Forma Jun 2001
Earnings before Tax	157.9	86.8	47.5
Dep. and Amort.	106.3	103.1	99.2
Capital and Inv Exp	(130.9)	(70.8)	(108.4)
Working Cap mov.	17.5	(76.5)	183.2
Income Tax Payments	(24.0)	(20.8)	(39.6)
Asset Sales	16.7	56.2	116.8
Other	(1.0)	65.9	(128.6)
Operating Cash Flow	142.5	143.9	170.1

# Cash Flow Reconciliation

\$A Million	Statutory Jun 2003	Statutory Jun 2002	Pro Forma Jun 2001
EBITDA	307.6	251.0	181.7
Interest	(44.5)	(54.4)	(61.8)
Tax	(24.0)	(20.8)	(39.6)
Capital Expenditure.	(101.5)	(70.8)	(42.7)
Working Cap (adj SDL Loan)	17.3	(76.5)	183.2
<b>Free Cash Flow</b>	<b>154.9</b>	<b>28.5</b>	<b>220.8</b>
- Less Investments	(29.4)	0	(65.7)
- Plus Asset Sales	16.7	56.2	116.8
- Other (mainly Email)	0.3	59.2	(101.8)
<b>Operating Cash Flow</b>	<b>142.5</b>	<b>143.9</b>	<b>170.1</b>



# 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 \$268 million
- Under-funded element \$9.5 million, 3.5% of fund (30/06/03)

## **Future Position**

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

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# Operations Review



# Australian Distribution – Results

<b>\$A Millions</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>% chg 02/03</b>
<b>Revenue</b>	<b>1,649.6</b>	<b>1,531.8</b>	<b>1,245.0</b>	<b>7.7</b>
<b>EBITDA</b>	<b>101.4</b>	<b>94.5</b>	<b>70.7</b>	<b>7.3</b>
<b>EBITA</b>	<b>84.7</b>	<b>77.7</b>	<b>54.6</b>	<b>9.0</b>
<b>Assets</b>	<b>998.0</b>	<b>999.0</b>	<b>926.4</b>	<b>(0.1)</b>
<b>Employees</b>	<b>2,501</b>	<b>2,446</b>	<b>2,531</b>	<b>2.2</b>
<b>Sales Margin %</b>	<b>5.1</b>	<b>5.1</b>	<b>4.4</b>	
<b>ROFE %</b>	<b>10.9</b>	<b>10.3</b>	<b>7.6</b>	<b>5.8</b>
<b>Ext. Tonnes Dispatched</b>	<b>1,121,051</b>	<b>1,050,608</b>	<b>903,491</b>	<b>6.7</b>

# Australian Distribution Highlights

## Factors Influencing Result

- Strong reinforcing market
- Sales margin stable despite rapid input cost increases
  - Delayed recovery of input cost increases
  - Some duplicated shared services costs
- Cost savings of \$8.8 million
- Revenue enhancements of \$26.9 million
- Adelaide Steel Processors bedded down
- Bolt-on acquisitions - Purlin Supplies & Marner Steel & Mesh
- **Outlook**
- Residential slow down to be offset by non-residential and engineering construction pick up
- Other sectors together will be stable
- Major focus on SAP roll out

# Manufacturing - Results

\$A Million	2003	2002	2001 exc prov	% chg 02/03
Revenue	1,753.8	1,727.9	1,555.8	1.5
EBITDA	193.0	148.8	127.2	29.7
EBITA	128.5	86.3	65.0	48.9
Assets	1,519.6	1,498.3	1,575.9	1.4
Employees	3,604	3,760	4,066	(4.1)
Sales Margin %	7.3	5.0	4.2	46
ROFE %	11.8	7.7	5.6	53.2
Tonnes Disp - External	1,103,088	1,125,805	1,221,582	(2.0)
Tonnes Disp - Internal	711,370	707,328	572,515	0.6
Steel Tonnes Produced	1,624,399	1,576,650	1,438,770	3.0

# Manufacturing Highlights

## Factors Influencing Result

- Whyalla performance improved significantly
- Full year of Market Mills restructuring benefits
- Continued focus on operational excellence
- Complexity reduced – grade/sections rationalised a further 12%
- \$40 million cost reductions and \$25 million in revenue enhancements offsetting \$50.5 million in cost increasing.

## Outlook

- Construction activity will continue to improve
- Higher number of projects
- Blast Furnace reline on budget and on schedule
- Magnetite ore feasibility study

# International Distribution - Results

<b>\$A Million</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>% chg 02/03</b>
<b>Sales</b>	<b>290.8</b>	<b>289.2</b>	<b>312.2</b>	<b>0.6</b>
<b>EBITDA</b>	<b>36.6</b>	<b>30.7</b>	<b>29.3</b>	<b>19.2</b>
<b>EBITA</b>	<b>32.0</b>	<b>26.1</b>	<b>23.8</b>	<b>22.6</b>
<b>Assets</b>	<b>156.1</b>	<b>133.1</b>	<b>174.0</b>	<b>17.3</b>
<b>Employees</b>	<b>765</b>	<b>620</b>	<b>700</b>	<b>23.4</b>
<b>Sales Margins %</b>	<b>11.0</b>	<b>9.0</b>	<b>7.6</b>	
<b>ROFE %</b>	<b>27.0</b>	<b>20.5</b>	<b>16.2</b>	<b>31.7</b>

# International Distribution - Highlights

## **Factors Influencing Result**

- Overall market conditions relatively strong driven by consumer spending
- Rural and residential sector activity robust
- Acquisition of Hurricane Wire Products completed in April 2003
- Full year benefits of the acquisition of Pipeline Supplies in May 2002

## **Outlook**

- New Zealand economy to feel the impact of a weak export sector
- Full year contribution from Hurricane Wire Products



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# Business Improvement Initiatives



# Business Improvement Initiatives

- Cost reductions of \$56 million and revenue enhancements of \$51 million more than offset cost increases of \$68 million, \$36 million of which stemmed from price increases in key inputs such as scrap and sheet and coil
- Product complexity reduced by 12%, building on the 21% reduction in the previous financial year
- Business Reengineering
  - Closure of No. 3 Tube Mill in Newcastle in April
  - Focus on operational excellence
  - Distribution site rationalisation
  - Bolt-on acquisitions – Hurricane Wire Products, Marner, Purlin
- Continued Close inventory management
  - Stock weeks remain under 10
  - Inventory build of \$10.6 million for the furnace reline project. Inventory will peak at \$95 million in May 2004.

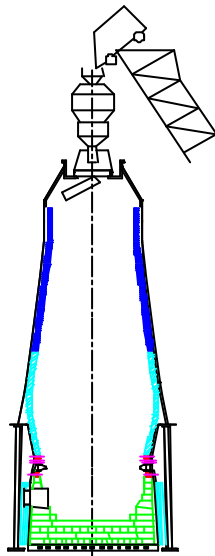
# Business Improvement Initiatives

- Iron Ore Reserves – 5-year Ore Beneficiation project that will process an estimated 9 million tonnes of lower-grade ore accumulations that will produce around 5 million tonnes of usable high-grade ore
- Iron Ore Resource – OneSteel is currently investigating the viability of commercialising its magnetite iron ore resource
- Private placement of US\$128 million long-term debt. Proceeds used to pay down existing bank debt, diversify funding sources and lengthen maturity profile to better match the life of the company's assets
- Information Systems – streamline IT systems on SAP platform

# Blast Furnace Reline

## The Scope

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



**Furnace will be modernised**

# Blast Furnace Reline

## Key Project Steps

- ❖ **Pework**
  - **Planning**
  - **Stockbuild - \$10.6 million as of June 2003**
  - **Long Lead Time Item supply**
  - **Sitework**
  
- ❖ **Reline Outage**
  - **Detailed schedule**
  - **Constructability review July '03**
  - **Risk review July '03**
  - **Major contract signed Sept '03**
  
- ❖ **Ramp Up**
  - **Plan in place**

## Process

- ❖ **Project Team in place**
  - **Integrated team**
  - **Reline experience**
  
- ❖ **Rigorous Project Management**
  - **Planning**
  - **Key personnel**
  - **Cost control – approx. 50% of the project budget is committed and we maintain our forecast for \$80 million capex**
  - **Contractor selection**
  - **Risk reviews**
  
- ❖ **Part of the business**
  - **Business plan**
  - **Budget**
  - **Management reporting**

# 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 Windtowers
- BHP Billiton Area C
- Hi-Smelt
- Latitude 2 – Sydney
- Rhodes Shopping Centre
- Kambalda to Esperance Gas Pipeline
- Gold Coast Exhibition Centre

## Upcoming

- Sunland – Gold Coast
- Chatswood to Epping Rail Link
- RAC Track upgrade
- Woodside 5<sup>th</sup> Train
- SAMAG
- Aldoga Smelter
- Sydney CBD cross-city Tunnel
- Burrup Fertiliser and Methanol
- Queen Street Melbourne
- Adelaide Airport
- Spencer Street Station
- Southern Cross Melbourne
- Aurora, Brisbane
- Telfer Gas Pipeline
- Darwin LNG
- Western Orbital – Sydney
- Enertrade pipeline

# Iron Ore Resources – Project Magnet

- Project Magnet
  - Mine and beneficiate magnetite ore
  - Iron Magnet mine will be below Iron Duke mine
  - Lowers production cost of steel – lower impurities
  - Allows sale (export) of hematite
  - Allows the sale of more pellets
  - \$6m feasibility study underway
  - Outcome known around June 2004

# 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
  - Move to SAP platform
  - Blast furnace reline
  - Complete feasibility study of iron ore resource
- Longer term strategic growth options
  - Organic or “step change” nature



# Summary and Outlook

- Continued performance improvement from OneSteel initiatives
- Residential sector decline to be offset by increased activity in non residential and engineering construction sectors
- Strong three year construction market cycle
- 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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# Full Year Results

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August 19 2003