ONESTEEL LIMITED

ABN 63 004 410 833

APPENDIX 4D

HALF YEAR REPORT

6 MONTHS ENDING 31 DECEMBER 2003

ONESTEEL LIMITED

HIGHLIGHTS OF RESULTS AND DIVIDENDS

6 MONTHS ENDING 31 DECEMBER 2003

Results for announcement to the market

				A$ Millions
Sales Revenue	up	2.7%	To	1,566.7
Revenues from ordinary activities	up	4.1%	to	1,602.1
Profit from ordinary activities after tax attributable to members	down	17.1%	to	45.5
Net profit for the period attributable to members	down	17.1%	to	45.5

Dividends	**Amount per security**	**Franked amount per security**
Interim Dividend	5.0 c	5.0 c
Previous corresponding period	5.0 c	5.0 c
Record date for determining entitlements	26 March, 2004	

This report is based on accounts that have been subject to audit review and are not subject to any dispute or qualification.

OneSteel Key Information		Six Months to							% Change
		Dec-00	Jun-01	Dec-01	Jun-02	Dec-02	Jun-03	Dec-03	Dec on Dec 03/02
Sales Revenue	$m	1,267.0	1,370.7	1,473.2	1,432.8	1,525.0	1,535.6	1,566.7	2.7%
Other Revenue	$m	12.5	129.0	36.8	43.7	14.0	25.5	35.4	152.9%
Total Revenue	$m	1,279.5	1,499.7	1,510.0	1,476.5	1,539.0	1,561.1	1,602.1	4.1%
Gross Profit	$m	240.5	249.1	270.6	257.8	341.1	285.1	316.0	-7.4%
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	$m	111.6	91.0	125.6	125.4	168.2	139.4	146.9	-12.7%
Depreciation	$m	(41.0)	(43.2)	(43.4)	(40.8)	(43.3)	(43.2)	(43.1)	-0.5%
Earnings Before Interest, Tax and Amortisation (EBITA)	$m	70.6	47.8	82.2	84.6	124.9	96.2	103.8	-16.9%
Amortisation	$m	(7.6)	(7.4)	(9.2)	(9.7)	(9.9)	(9.9)	(10.3)	4.0%
Earnings Before Interest and Tax (EBIT)	$m	63.0	40.4	73.0	74.9	115.0	86.3	93.5	-18.7%
Interest	$m	(29.6)	(32.2)	(30.6)	(23.8)	(22.9)	(21.6)	(20.8)	-9.2%
Earnings Before Tax (EBT)	$m	33.4	8.2	42.4	51.1	92.1	64.7	72.7	-21.1%
Tax	$m	(12.0)	(0.1)	(19.1)	(19.9)	(32.5)	(20.8)	(22.0)	-32.3%
Profit After Tax	$m	21.4	8.1	23.3	31.2	59.6	43.9	50.7	-14.9%
Minorities	$m	(2.6)	(3.3)	(3.6)	(3.8)	(4.7)	(4.8)	(5.2)	10.6%
Profit After Tax & Minorities	$m	18.8	4.8	19.7	27.4	54.9	39.1	45.5	-17.1%
Total Assets	$m	2,666.2	2,710.8	2,625.4	2,582.0	2,602.9	2,577.0	2,609.6	0.3%
Total Liabilities	$m	1,493.5	1,594.6	1,424.7	1,359.4	1,331.8	1,292.0	1,305.5	-2.0%
Total Equity	$m	1,172.7	1,116.2	1,200.7	1,222.6	1,271.1	1,285.0	1,304.1	2.6%
Net Debt	$m	818.1	762.4	622.2	571.6	512.6	470.2	496.9	-3.1%
Securitisation	$m	128	191	200	200	200	200	200	0.0%
Funds Employed	$m	1,990.8	1,878.6	1,822.9	1,794.2	1,783.7	1,755.2	1,801.0	1.0%
Cash Flow from Operations and Investing	$m	35.1	135.0	76.5	67.4	76.1	66.4	22.0	-71.1%
Free Cash Flow	$m	31.4	189.4	(21.1)	49.6	82.7	72.2	11.4	-86.2%
Capital and investment Expenditure	$m	15.9	92.5	22.1	48.7	26.4	104.5	45.0	70.5%
No of shares (at end of period)	m	454.8	460.3	535.9	538.6	542.2	546.9	551.4	1.7%
ROA (EBITA)	%	5.3%	3.6%	6.2%	6.5%	9.6%	7.4%	8.0%	
ROE	%	3.7%	1.4%	4.0%	5.2%	9.6%	6.9%	7.8%	
ROFE (EBITA)	%	7.0%	4.9%	8.9%	9.4%	14.0%	10.9%	11.7%	
EBITA to Sales	%	5.6%	3.5%	5.6%	5.9%	8.2%	6.3%	6.6%	
EPS - based on number of share at the end of the period	cents	4.1	1.0	3.7	5.1	10.1	7.2	8.3	
Dividends Per Share	cents	3.0	3.0	3.0	3.5	5.0	6.0	5.0	
Dividend Payout Ratio	%	72.9%	287.5%	81.7%	69.0%	49.4%	83.9%	60.7%	
Gearing (net debt to net debt plus equity) exc securitisation	%	41.1%	40.6%	34.1%	31.9%	28.7%	26.8%	27.6%	
Gearing (net debt to net debt plus equity) incl securitisation	%	44.7%	46.1%	40.6%	38.8%	35.9%	34.3%	34.8%	
Interest Cover	Times	2.0	1.6	2.4	3.1	4.6	3.7	4.1	
Net Tangible Asset Backing	$ per share	2.1	1.8	1.7	1.7	1.8	1.8	1.8	
Gross Profit Margin	%	19.0%	18.2%	18.4%	18.0%	22.4%	18.6%	20.2%	
Employees		6896	7379	7012	6989	6899	7054	7078	
Sales per Employee	000	184	186	210	205	221	218	221	
Cost Increases	$m		37	19.8	37.2	31.9	36.1	27.2	
Cost Reductions	$m	24	26	23.6	35.4	28.7	27.3	19	
Revenue Enhancements	$m		15	5.4	14.6	28.5	22.5	8.6	
Raw Steel Tonnes Produced		691671	747099	793089	783561	831904	792495	819508	-1.5%
Steel Tonnes Dispatched		1000015	1125058	1100668	1075745	1111129	1113010	1073635	-3.4%
Export % of Tonnes Dispatched		8.0	17.8	7.9	7.9	3.7	3.8	5.1	

Note: The December 2000and June 2001 numbers are pro-forma
with June 2001 excluding restructuring charges

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

Review of Operations
For the Six Months To December 2003

17 February 2004

Highlights (Six months to December 2003 compared with six months to December 2002)

- Sales Revenue increased 2.7% to $1,566.7 million
- Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by 12.7% to $146.9 million
- Net profit after tax and minorities decreased by 17.1% to $45.5 million - this compares with a six months to June 2003 result of $39.1 million
- Despite earnings per share decreasing, the dividend was held in line with the last Interim dividend of 5.0 cents per share, representing an increased payout ratio
- Total Australian steel tonnes dispatched decreased by 3.4%, with domestic dispatches decreasing 4.8% and exports dispatched increasing by 32.9%
- After adjusting for one-off projects and acquisitions, underlying domestic dispatches were up 0.8%
- Underlying price per tonne for domestic steel sales increased by approximately 2.8% while the price for exports decreased 25.8% partly reflecting the appreciating Australian dollar
- Net debt decreased from December 2002 by $15.7 million or 3.1% to $496.9 million
- The net debt to net debt plus equity ratio decreased from 28.7% to 27.6% (the ratios are 35.9% and 34.9% inclusive of securitisation)
- Operating cash flow was $22.0 million, with free cash flow of $11.4 million – after allowing for the blast furnace expenditure free cash flow was $59.0 million
- Underlying inventory stock weeks remained steady at under 10 weeks
- Staff numbers rose by 2.6% to 7,078 due to acquisitions
- Return on funds employed (based on EBITA) decreased from 14.0% to 11.7%
- Cost reductions of $19.0 million and revenue enhancements of $8.6 million were achieved against inflationary costs of $27.2 million
- The OneSteel lost time injury frequency rate that covers both employees and contractors remained at its low level of two injuries per million hours worked. The medical treatment injury rate continued to show improvement at 15.1 per million hours worked.

Market Conditions

Market conditions remained buoyant for the six months to December 2003. Across all segments which impact OneSteel revenues, activity increased by 1.4% from an already high level. In the construction sector, which accounts for 57% of OneSteel revenues, activity was up 3.4%.

Within the construction sector, non-residential construction, which accounts for 22% of OneSteel revenues, increased by 4.8% from the previous corresponding period. The engineering sector, which accounts for 21% of OneSteel revenues, was up 3.1%. Residential investment continued at high levels, registering growth of 1.6% compared with the previous corresponding period. This segment accounts for 14% of OneSteel revenues.

The 'other manufacturing' segment that accounts for 14% of OneSteel's activity was up 3.7%. When looking at OneSteel's other key segments, mining, agriculture and automotive, which account for approximately 24% of OneSteel's revenue, mining activity declined 1.8%, automotive was up 5.0% and, as expected, agricultural investment was down 16.1% from the previous corresponding period.

Company Overview

Sales revenue for the six months to December 2003 grew at 2.7% from $1,525.0 to $1,566.7 million when compared with the prior corresponding period.

Underlying Australian domestic revenue from steel sales, adjusted for large projects and acquisitions, increased by 3.8%**,** reflecting the pick up in market. Price per tonne for domestic sales improved by 2.8%.

Total tonnes dispatched decreased by 3.4% reflecting a combination of the completion of the Alice Springs to Darwin rail project and the inventory build for the blast furnace reline. The price per tonne dispatched increased by 4.4%.

Underlying domestic tonnes dispatched increased by 0.8% after adjusting for large one-off projects and acquisitions. Exports for the period totalled 5.1% of tonnes dispatched compared with 3.7% a year prior, with the price per tonne decreasing by 25.8% reflecting an appreciating Australian dollar and change in product mix.

Operating earnings before interest, tax and amortisation (EBITA), decreased by 16.9% in the six months to $103.8 million recording a sales margin of 6.6%, compared with 8.2% for the prior corresponding period. On an **earnings before tax** basis, profit decreased by 21.1% from $92.1 million to $72.7 million.

Operating net profit after tax and minorities decreased by 17.1% to $45.5 million for the six months, which is equivalent to 8.3 cents per share, 17.8% lower than the prior year.

Australian Distribution revenue was up 9.5% or $78.4 million to $902.6 million reflecting the continued strength in the construction sector. Distribution EBITA was steady at $45.2 million with the sales margin dropping from 5.5% to 5.0%, while EBITA return on funds employed increased from 11.3% to 11.7%. Domestic tonnes dispatched from Distribution increased by 5.7% with prices improving by 3.4%.

Manufacturing revenue decreased 1.1% or $9.2 million to $863.0 million reflecting the diversion of tonnes from rail sales associated with Alice Springs to Darwin Rail line to building inventory for the blast furnace reline project and the impact of increased import competition stemming from an appreciating Australian dollar. Manufacturing EBITA decreased 33.6% to $54.5 million with a fall in sales margin from 9.4% to 6.3%. Manufacturing's EBITA return on funds employed decreased from 15.1% to 10.1%. This fall reflects lower sales and margin pressure as a result of higher input prices and import competition.

Underlying domestic tonnes dispatched decreased 4.0% while price per tonne remained stable. Exports increased 43.0% to 6.1% of total tonnes dispatched with average price per tonne declining by 27.7% due to product mix change and the appreciation in the Australian dollar.

International Distribution revenue increased 13.5% or $19.2 million to $161.8 million, reflecting the acquisition of Hurricane Wire Products in April 2003, while EBITA improved by 16.7% to $18.2 million. In New Zealand dollars, sales revenue increased by 14.5%, while EBIT increased by 13.0% to NZ$19.5 million.

OneSteel's **restructuring programme** delivered a total of $19.0 million in cost savings along with revenue enhancements of $8.6 million, offsetting $27.2 million in cost increases. The major cost increases stemmed from labour costs, scrap feed and hot rolled coil and sheet prices.

The first full six-month impact of the closure of the No.3 Pipe & Tube Mill in Newcastle and bolt-on acquisitions of Distribution businesses and Hurricane Wire Products was recorded during the period.

Staffing levels rose over the six months from 6,899 as at the end of December 2002, to 7,078 by the end of December 2003, an increase of 179 or 2.6%. This reflects the addition of 220 staff associated with acquisitions. Underlying staff numbers decreased to 6,858.

Operating cash flow for the period was $22.0 million, which is down 71% from the prior corresponding period due to capital expenditure of $13.5 million and inventory build of $32.1 million associated with the blast furnace reline project. Free cash flow for the six months to December 2003 was $11.4 million compared with $82.7 million in the previous corresponding period.

Capital and investment expenditure increased by 70.5% to $45.0 million.

The **Blast Furnace** reline project is due to be undertaken over the June to August period in 2004 for an approximate period of 65 days. The overall capital cost of the project is approximately $80 million. To date $35 million has been spent, predominantly on the purchase of long lead time items and this expenditure is within budget. The reline requires an inventory build that peaks at approximately $95 million in the fourth quarter of 2003/04. To the end of December 2003, approximately $43 million of inventory has been put to ground.

OneSteel's **financial gearing** on a net debt, to net debt plus equity basis, improved from 28.7% to 27.6% with net debt decreasing 3.1% or $15.7 million from $512.6 million to $496.9 million (OneSteel's gearing ratio including $200 million of securitisation was 35.9% and 34.8% respectively).

Interest Cover decreased from 4.6 times to 4.1 times when comparing the two periods.

Funds employed have risen by 1.0% or $17.3 million to $1,801.0 million. The EBITA return on funds employed has decreased from 14.0% to 11.7%.

Inventories increased by 3.3% to $646.5 million when compared with the previous corresponding period as a result of the inventory build for the reline of the blast furnace. In stock week terms underlying inventories have remained under 10 weeks.

The Interim dividend was declared at 5.0 cents per share fully franked representing a payout ratio of 60.7% of the first half profits. This compares with a 5.0 cent fully franked dividend paid for the six months to December 2002.

A dividend reinvestment plan exists which provides the facility for shareholders in Australia and New Zealand to reinvest their dividends in shares at a price calculated on the arithmetic average of the daily volume weighted average market price during the 10 consecutive trading days commencing on the date which is the second trading day after the Record Date for the relevant dividend. The record date for the dividend will be 26 March 2004 with the dividend due to be paid on 22 April 2004.

In December 2003, OneSteel announced a facility for certain small shareholders to sell or top-up their shareholding. Participation in the facility is voluntary. The facility is open until 27 February 2004.

Initiatives for Improving Profit

Following significant restructuring activities over the last three years, OneSteel is focusing its profit strategies on second stage initiatives. These include:

- **Iron Ore Resource** – a feasibility study is currently underway to determine the possibility of using the company's large magnetite resource as a basis to both generate a further profit stream through the sale of an additional 2 million tonnes of iron ore per annum, as well as approximately 500,000 tonnes per annum of pellets, and to offer an operating cost advantage to the current steelworks operations.
- **Ore Beneficiation** - this project involves processing approximately 9 million tonnes of lower-grade iron ore accumulations to produce 5 million tonnes of high-grade iron ore. This will enable OneSteel to continue to sell one million tonnes of iron ore each year into the medium term. The Beneficiation plant is scheduled to commission late April 2004.

- **Information Systems** – the implementation of the SAP platform to streamline OneSteel's sales and distribution is underway with the Australian Steel and Tube business fully implemented and Piping Systems approaching completion.
- **Ropery** - work is commencing on the installation of an eight-strand ropery plant that will enable OneSteel to manufacture products to meet the latest specifications of the mining industry.
- **Mesh Rationalisation Project** - Distribution is currently rationalising and consolidating its mesh manufacturing facilities sites in the Eastern States to lower the cost of production and improve capacity utilisation.
- **Fence Post Plant** – OneSteel's new galvanised post production plant was commissioned during the six months to produce "star" posts, mainly for the rural sector.
- **Shift Change at Newcastle** – During the six-month period OneSteel's Market Mills business successfully introduced flexible shift patterns to its bar and rod mills to better manage resources across the mills to meet the demand profile of the various product lines.

Significant and Subsequent Events

Subsequent to the end of the reporting period a number of events have occurred.

- OneSteel has submitted anti-dumping applications to Australian Customs covering certain products in the company's pipe and tube range. OneSteel is awaiting a preliminary finding on its applications.
- OneSteel's Whyalla Steelworks was affected by the Moomba gas disruption. Steel production was suspended for approximately 36 hours at the beginning of January. Due to the disruption around 5,000 tonnes of steel out of an annual production of approximately 1.2 million tonnes, could not be produced. The lost production will mean additional costs to OneSteel's operations. Based on events to date, estimates of costs combined with anticipated impacts will be less than $5 million at the EBIT level.
- In February OneSteel completed the purchase of the shares of Midalia Steel Pty Limited, a distribution business in Western Australia. For the full financial year ending 30 June 2004, Midalia Steel expects to generate sales of approximately $45 million. The acquisition complements OneSteel's portfolio of assets and is a continuation of OneSteel's strategy to make bolt-on acquisitions as attractive opportunities arise.

Outlook

Overall market conditions are expected to remain robust for the remainder of the year. Some of the positive impact of stronger market conditions in the six months to December 2003 was moderated by the full flow on effect of the increased Australian dollar and associated increased imports.

Towards the end of 2003 and into early 2004, international steel raw material, semi-finished and finished product prices increased significantly, outstripping the growth in the Australian dollar. If this trend consolidates then there is the potential for import pressure faced over the six months to December 2003 to mitigate and provide some opportunity for price improvements and regaining market share. The anti-dumping action, if successful, could enhance the position further.

OneSteel is comfortable with the current equity analyst range for 2003/04 net profit after tax of between $78 million and $90 million.

Bob Every

Bob Every
Managing Director &
Chief Executive Officer
OneSteel Limited
17th February, 2004

Australian Distribution

	2003	2002	%
Revenue	902.6	824.2	9.5
EBITDA	54.0	53.5	0.9
EBITA	45.2	45.2	0
EBIT	36.8	36.8	0
Assets	1,018.0	988.9	2.9
Employees	2,571	2,448	5.0
Sales Margin	5.0%	5.5%	(9.1)
Funds Emp.	792.0	798.9	(0.9)
ROFE	11.7%	11.3%	3.5

Market Conditions

Underlying trading conditions were strong in Distribution. The construction segment, including housing, continued to drive sales growth but rural business was affected by the drought. The strong Australian dollar exchange rate encouraged imports.

Performance

Improved sales performance stemmed from increased volumes of 5.7%. Cost savings of $1.4 million and revenue enhancements of $2.1 million were achieved during the period. Cost increases totalled $4.3 million. Return on funds employed improved to 11.7%.

Reinforcing tonnages increased 16**%** in line with demand from the residential and non-residential construction segments.

Steel and Tube encountered competitive pressure from imports. This resulted in flat or declining volumes in the areas of rectangular hollow sections, pipe and merchant bar.

Sheet and Coil and Aluminium volumes were up 7%. Again this is reflective of a strong construction sector.

Metaland's margins were affected by competitive pressure from imported product. The rural sector is showing signs of recovery while the mining sector rebounded towards the end of the half.

Piping Systems volumes were lower as a result of less market activity and the deferral of some major engineering projects. Margins have been steady over the six-month period.

Initiatives

The Steel and Tube business completed the rollout of SAP while the roll out in the Piping Systems business is nearing completion. A plan to increase capacity for mesh manufacture in Sydney began during the six-month period and will continue into the second half of the financial year. The purchase of the Midalia Steel business was completed in February 2004.

Outlook

Market conditions are expected to remain robust over the second half, with order books, particularly in the reinforcing business remaining strong.

Australian Manufacturing

	2003	2002	%
Revenue	863.0	872.2	(1.1)
EBITDA	85.6	114.7	(25.4)
EBITA	54.5	82.1	(33.6)
EBIT	53.5	81.1	(34.0)
Assets	1,522.2	1,503.1	1.3
Employees	3,544	3,659	(3.1)
Sales Margin	6.3%	9.4%	(33)
Funds Emp.	1,078.4	1,080.3	(0.2)
ROFE	10.1%	15.1%	(33.1)

Market Conditions

Despite continued growth in the construction and engineering sectors, Manufacturing revenues were down by 1.1%.

Performance

Operational performance across Whyalla Steelworks and the Mills was solid with cost reductions of $11.0 million and revenue enhancements of $14.2 million. These more than offset cost increases of $21.3 million.

All major areas of **Whyalla** Steelworks operated soundly. The stock build for the blast furnace reline affected the volume of tonnes dispatched.

The **Sydney Steel Mill** operated at close to full capacity during the period with an increase in scrap prices towards the end of the year adding some increased costs to billet manufacture. The increased scrap price momentum has continued into the second half of the financial year.

Structural dispatches were higher than the corresponding period last year, while **Rail** sales were lower due to the completion of the Alice Springs to Darwin rail project

Rod and Bar total tonnes were down 2% despite a 19% increase in reinforcing. Most market segments showed positive price movement. Further price increases have been announced that will become effective in the second half of the financial year.

Pipe and Tube domestic tonnage was down due to lost sales to lower-priced imports. However domestic prices were higher because of price increases in structural pipe and rectangular hollow sections late in the last financial year. The oil & gas segment is performing strongly.

Wire volumes were down for the period however the business attained higher prices per tonne. Although the drought has ended, agricultural investment is now being affected by the rise in the Australian dollar.

Initiatives

Anti-dumping action has been initiated in the pipe and tube product range. In the second half work will begin on OneSteel's new eight-strand ropery facility at Newcastle.

Outlook

The focus for next 12 months is to continue to reduce costs and enhance revenues to offset cost increases in areas such as scrap and hot rolled coil.

International Distribution

	2003	2002	%
Revenue	161.8	142.6	13.5
EBITDA	20.6	17.7	16.4
EBITA	18.2	15.6	16.7
EBIT	17.2	15.1	13.9
Assets	152.5	139.7	9.2
Employees	772	613	25.9
Sales Margin	11.2%	10.9%	2.8
Funds Emp.	127.2	114.0	11.6
ROFE	28.4%	28.2%	0.7

Market Conditions

The New Zealand economy performed better than anticipated, recording an increase in economic activity of 3.5% for the 12 months ending September 2003. This growth in economic activity is expected to continue at similar levels through much of calendar year 2004. Strong consumer spending led by historically high employment rates, low interest rates and high net migration boosted demand for new residential housing to record levels. Commercial construction activity also gathered noticeable momentum from October 2003.

Demand from the rural sector for the company's goods and services remains flat, with a slowdown anticipated in the second half due to drought conditions in some areas of the South Island.

Performance

International Distribution increased its sales and profit revenue in New Zealand dollars primarily due to the inclusion of the Hurricane Wire products business which was acquired in April 2003. Sales increased by NZ$23.4 million to NZ$184.7 million while EBIT increased by 13% to NZ$19.5 million.

The **Steel Distribution and Processing** business increased volumes slightly in the period under review however sales revenue decreased due to the average price of steel reducing in New Zealand dollar terms due to the strong currency appreciation against the US dollar.

The **Roofing Products** business performed at record levels due to the strong demand for roofing and cladding products from the construction of new residential property and the commercial building sector. The **Reinforcing** business is also performing well due to obtaining a better mix of commercial contracts compared with last year. The result from the **Hurricane Wire Products** business however was affected slightly by lower margins from the rural sector. Although volume increased from the construction sector, this was insufficient to recover costs associated with price increases for raw material which were not fully recovered from both markets.

Initiatives

Steel and Tube continues to focus on managing its business to deliver superior returns to its shareholders through cost-effective solutions to its customers.

Outlook

The overall trading environment for the second half of the financial year is expected to remain similar to that encountered in the first half with any softening in the rural sector to be offset by increased demand from the construction sector.

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PROFIT & LOSS SUMMARY	2003 $m	Statutory 2002 $m	2001 $m	Pro Forma 2000 $m	% Chg 2003/2002 %
	SIX MONTHS TO 31 DECEMBER				
Revenue	1,602.1	1,539.0	1,510.0	1,279.5	4.1
EBITDA	146.9	168.2	125.6	111.6	(12.7)
Depreciation/Amortisation	(53.4)	(53.2)	(52.6)	(48.6)	0.4
EBIT	93.5	115.0	73.0	63.0	(18.7)
Borrowing costs	(20.8)	(22.9)	(30.6)	(29.6)	(9.2)
EBT	72.7	92.1	42.4	33.4	(21.1)
Tax Expense	(22.0)	(32.5)	(19.1)	(12.0)	(32.3)
Profit After Tax	50.7	59.6	23.3	21.4	(14.9)
OEI in Operating Profit After Tax	5.2	4.7	3.6	2.6	10.6
Profit Attributable to OneSteel	45.5	54.9	19.7	18.8	(17.1)

CASH FLOW SUMMARY	2003 $m	2002 $m	2001 $m
	SIX MONTHS TO 31 DECEMBER		
Earnings before tax	65.1	92.1	41.1
Depreciation / Amortisation	53.4	53.2	52.6
Capital & investment expenditure	(45.0)	(26.4)	(22.1)
Working capital movements	(48.8)	(30.1)	(83.3)
Income tax payments	(13.7)	(6.1)	(9.4)
Asset sales	5.0	2.6	31.0
Other	6.0	(9.2)	66.6
Operating cash flow	22.0	76.1	76.5
Dividends paid	(41.1)	(22.6)	(18.9)
Capital movements	9.6	5.4	66.2
Total Cash Flow	(9.5)	58.9	123.8

BALANCE SHEET	2003 $m	2002 $m	2001 $m
	As at 31 December		
Cash	14.5	25.3	26.9
Receivables	437.8	390.6	378.5
Inventory	646.5	626.0	608.0
Fixed Assets	1,153.5	1,143.6	1,179.3
Other Assets	357.3	417.4	432.7
TOTAL ASSETS	2,609.6	2,602.9	2,625.4
Borrowings	511.4	537.9	649.1
Creditors	455.9	419.3	403.6
Provisions	338.2	374.6	372.0
TOTAL LIABILITIES	1,305.5	1,331.8	1,424.7
NET ASSETS	1,304.1	1,271.1	1,200.7
Share Capital	1,089.3	1,072.0	1,063.1
Outside Equity Interest	51.5	57.6	48.9
Retained Profits / Reserves	163.3	141.5	88.7
SHAREHOLDER'S EQUITY	1,304.1	1,271.1	1,200.7

SEGMENTS 6 MONTHS TO 31 DECEMBER 2003	Revenue			EBITDA			EBIT			Assets		
($millions)	2003	2002	% Chg	2003	2002	% Chg	2003	2002	% Chg	2003	2002	% Chg
Manufacturing	863.0	872.2	(1.1)	85.6	114.7	(25.4)	53.5	81.1	(34.0)	1,522.2	1,503.1	1.3
Distribution - Aust	902.6	824.2	9.5	54.0	53.5	0.9	36.8	36.8	0.0	1,018.0	988.9	2.9
Distribution - Int	161.8	142.6	13.5	20.6	17.7	16.4	17.2	15.1	13.9	152.5	139.7	9.2
Corporate activities	6.1	3.1	96.8	(9.2)	(17.3)	(46.8)	(9.9)	(17.5)	(43.4)	(14.5)	12.1	(219.8)
Inter segment	(331.4)	(303.1)	9.3	(4.1)	(0.4)	925.0	(4.1)	(0.5)	720.0	(68.6)	(40.9)	67.7
TOTAL ONESTEEL GROUP	1,602.1	1,539.0	4.1	146.9	168.2	(12.7)	93.5	115.0	(18.7)	2,609.6	2,602.9	0.3

OneSteel Limited

ABN 63 004 410 833

Financial Report

for the half-year ended 31 December 2003

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Company Directory

DIRECTORS

Peter J Smedley
Chairman

Robert L Every
Managing Director
Chief Executive Officer

Eileen J Doyle

Colin R Galbraith

David E Meiklejohn

Dean A Pritchard

Neville J Roach

COMPANY SECRETARY

John M Krenich

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

OneSteel Limited
ACN 004 410 833
ABN 63 004 410 833

Level 23
1 York Street
Sydney NSW 2000
Australia

SHARE REGISTERS

OneSteel Share Registry
Computershare Investor Services Pty Ltd
Level 3
60 Carrington Street
Sydney NSW 2000

AUDITORS

Ernst & Young

STOCK EXCHANGE LISTING

OneSteel Limited shares are quoted on the Australian Stock Exchange

Directors' Report

The Board of Directors of OneSteel Limited has pleasure in submitting its report in respect of the financial half-year ended 31 December 2003.

DIRECTORS

The names of the directors in office during or since the end of the half-year are:

P J Smedley
R L Every
E J Doyle
C R Galbraith
D E Meiklejohn
D A Pritchard
N J Roach

Unless otherwise indicated, all directors held their position as a director throughout the entire half-year and up to the date of this report.

PRINCIPAL ACTIVITIES

The principal activities of the OneSteel Group during the financial half-year were the manufacture and distribution of steel long products.

The OneSteel Group manufactures and distributes a wide range of products including structural, rail, rod, bar, wire and pipe and tube products. In addition, OneSteel distributes sheet and coil, piping systems, plate and aluminium products. OneSteel owns 50.3% of the ordinary shares of Steel & Tube Holdings Limited, a listed New Zealand steel distribution company.

RESULTS

The consolidated profit of the OneSteel Group for the half-year was $45.5 million (half-year 2002: $54.9million) after income tax and outside equity interests.

REVIEW OF OPERATIONS

Refer to the attached report on the review of operations.

EVENTS SUBSEQUENT TO BALANCE DATE

On 16th January 2004, the OneSteel Group announced that it had signed a conditional agreement to purchase the shares of Midalia Steel Pty Limited. Completion of the purchase has since occurred on 2nd February 2004.

Midalia Steel operates 11 distribution sites in the state of Western Australia. For the full year ending 30 June 2004, Midalia Steel expects to generate sales of approximately $45 million.

ROUNDING OF AMOUNTS

The parent entity is a company of the kind specified in Australian Securities and Investments Commission Class Order 98/0100. In accordance with that class order, amounts in the consolidated financial statements and the Directors' report have been rounded to the nearest hundred thousand dollars unless specifically stated otherwise.

Signed in accordance with a resolution of the directors.

Peter Smedley	Robert Every
Chairman	Managing Director

Sydney
17 February 2004

Statement of Financial Performance

HALF-YEAR ENDED 31 DECEMBER 2003	**Note**	**CONSOLIDATED 2003 $m**	**CONSOLIDATED 2002 $m**
Sales revenue		1,566.7	1,525.0
Cost of sales		(1,250.7)	(1,183.9)
Gross profit		316.0	341.1
Other revenues from ordinary activities	2	35.4	14.0
Operating expenses excluding borrowing costs		(258.1)	(240.1)
Borrowing costs		(20.8)	(22.9)
Share of net profit of associate accounted for using the equity method		0.2	-
Profit from ordinary activities before income tax expense		72.7	92.1
Income tax expense relating to ordinary activities		(22.0)	(32.5)
Net profit from ordinary activities after related income tax		50.7	59.6
Net profit attributable to outside equity interests		(5.2)	(4.7)
Net profit attributable to members of the parent entity		45.5	54.9
Net exchange difference on translation of financial statements of self-sustaining foreign operations		(0.1)	3.9
Decrease in retained profits on adoption of revised accounting standard: AASB 1028 “Employee Benefits”		-	(1.3)
Total revenues and expenses attributable to members of the parent entity and recognised directly in equity		(0.1)	2.6
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of OneSteel Limited		45.4	57.5
Basic earnings per share (cents per share)		8.3	10.2
Diluted earnings per share (cents per share)		8.2	10.1

The accompanying notes form an integral part of this Statement of Financial Performance.

Statement of Financial Position

AS AT 31 DECEMBER 2003	CONSOLIDATED December 2003 $m	June 2003 $m
CURRENT ASSETS		
Cash assets	14.5	19.5
Receivables	437.8	436.6
Other financial assets	-	3.3
Inventories	646.5	591.0
Other	14.9	8.6
TOTAL CURRENT ASSETS	1,113.7	1,059.0
NON-CURRENT ASSETS		
Investment accounted for using the equity method	7.3	7.1
Property, plant and equipment	1,153.5	1,167.4
Intangibles	250.0	260.1
Deferred tax assets	56.9	55.7
Other	28.2	27.7
TOTAL NON-CURRENT ASSETS	1,495.9	1,518.0
TOTAL ASSETS	2,609.6	2,577.0
CURRENT LIABILITIES		
Payables	453.2	467.7
Interest bearing liabilities	44.4	40.0
Other financial liabilities	2.7	-
Tax liabilities	5.5	1.5
Other provisions	97.9	113.1
TOTAL CURRENT LIABILITIES	603.7	622.3
NON-CURRENT LIABILITIES		
Interest bearing liabilities	467.0	449.7
Deferred tax liabilities	147.1	141.6
Other provisions	87.7	78.4
TOTAL NON-CURRENT LIABILITIES	701.8	669.7
TOTAL LIABILITIES	1,305.5	1,292.0
NET ASSETS	1,304.1	1,285.0
EQUITY		
Contributed equity	1,089.3	1,079.6
Reserves	0.5	0.6
Retained profits	162.8	150.1
Parent entity interest	1,252.6	1,230.3
Outside equity interest	51.5	54.7
TOTAL EQUITY	1,304.1	1,285.0

The accompanying notes form an integral part of this Statement of Financial Position.

Condensed Statement of Cash Flows

HALF-YEAR ENDED 31 DECEMBER 2003	CONSOLIDATED 2003 $m	2002 $m
	Inflows/(Outflows)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,582.9	1,570.7
Payments to suppliers and employees	(1,493.8)	(1,434.8)
Interest received	1.1	1.2
Interest and other costs of finance paid	(20.5)	(21.9)
Income taxes paid	(13.7)	(6.1)
NET OPERATING CASH FLOWS	56.0	109.1
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(44.8)	(26.4)
Proceeds from sale of property, plant and equipment	5.0	2.3
Proceeds from sale of controlled entities, net of their cash	-	0.3
Repayment/(advances) of loan by/(to) non-related parties	6.0	(9.2)
Purchase of businesses	(0.2)	-
NET INVESTING CASH FLOWS	(34.0)	(33.0)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	0.2	0.1
Net proceeds/(repayment) of borrowings	4.4	(48.0)
Dividends paid	(31.6)	(17.3)
NET FINANCING CASH FLOWS	(27.0)	(65.2)
NET INCREASE/(DECREASE) IN CASH HELD	(5.0)	10.9
Cash at beginning of the financial period	19.5	11.4
Cash at the end of the financial period	14.5	22.3

The accompanying notes form an integral part of this Statement of Cash Flows.

Notes to the Half-year Financial Statements

HALF-YEAR ENDED 31 DECEMBER 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose consolidated financial statements have been prepared for the half-year ended 31 December 2003 in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting", Urgent Issues Group Consensus Views and any other authoritative pronouncements of the Australian Accounting Standards Board. It is recommended that this report be read in conjunction with the 30 June 2003 Annual Review and Full Financial Report and any public announcements made by OneSteel Limited and its controlled entities during the half-year in accordance with the continuous disclosure obligations of the Corporations Act 2001 and the Australian Stock Exchange. The notes to the financial statements do not include all information normally contained within the notes to an annual financial report.

The financial statements have been prepared in accordance with the historical cost convention and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Changes in accounting policies

With the following exception, the accounting policies are consistent with those applied in the 30 June 2003 Full Financial Report.

Hedge accounting for US Private Placement debt
In the June 2003 financial statements the US$ debt was carried in the Statement of Financial Position at the spot rate current at the reporting date, with the corresponding loss on the hedge carried as a sundry creditor. The loss on the hedge has been reclassified as an interest bearing liability in the December 2003 Statement of Financial Position to better reflect the economic substance of the transaction. The value of the loss on the hedge as at 31 December 2003 was $38.2m (30 June 2003: $17.3m).

Tax Consolidation

It is likely that OneSteel's Australian subsidiaries will enter the tax consolidation regime for the 2004 taxation year. The minimum outcome if current tax bases are rolled over, will be maintenance of the current deferred tax balances. The ultimate impact of entering tax consolidations will be determined once final independent evaluations for plant and machinery are received. This determination is expected to be made by 30 June 2004.

Notes (continued)

31 DECEMBER 2003

2. PROFIT FROM ORDINARY ACTIVITIES

	2003 $m	2002 $m
Profit from ordinary activities is after crediting the following revenues:		
Sales revenues:		
Product sales	1,564.5	1,520.6
Rendering of services	2.2	4.4
Total sales revenue	1,566.7	1,525.0
Other revenues:		
Interest from other persons	1.1	1.2
Proceeds from sale of non-current assets	23.0	2.6
Other	11.3	10.2
Total other revenues	35.4	14.0
Included in the cost of sales and operating expenses are the following items:		
Depreciation of property, plant and equipment	43.1	43.3
Amortisation of goodwill	10.3	9.9
Carrying value of non-current assets sold	15.6	1.5

3. DIVIDENDS

The following dividends have been paid, declared or recommended since the end of the preceding financial year:

December 2003	**On ordinary shares $m**	**Dividend per ordinary share $**
Dividends proposed and not recognised as a liability		
Interim fully franked dividend for 2004 as recommended and declared by the directors, payable 22 April 2004	27.6	0.05
Dividends paid during the half- year and not recognised as a liability		
Final fully franked dividend for 2003 as recommended and declared by the directors, paid 16 October 2003	32.8	0.06

December 2002	**On ordinary shares $m**	**Dividend per ordinary share $**
Dividends proposed and not recognised as a liability		
Interim fully franked dividend for 2003 as recommended and declared by the directors, payable 24 April 2003	27.6	0.05
Dividends paid during the half- year and not recognised as a liability		
Final fully franked dividend for 2002 as recommended and declared by the directors, paid 17 October 2002	18.9	0.035

Notes (continued)

31 DECEMBER 2003

4. SEGMENT INFORMATION

December 2003	Manufacturing	Australia Distribution	Unallocated	Elimination	Total	International Distribution	Elimination	Consolidated
	$m	$m	$m	$m	$m	$m	$m	$m
Segment revenues								
Revenues from customers outside the consolidated entity	539.2	899.9	1.2	-	1,440.3	161.8	-	1,602.1
Plus: Inter-segment revenues	323.8	2.7	4.9	(321.8)	9.6	-	(9.6)	-
Total revenues	863.0	902.6	6.1	(321.8)	1,449.9	161.8	(9.6)	1,602.1
Other non-cash expenses	-	(0.2)	-	-	(0.2)	-	-	(0.2)
Earnings before depreciation and amortisation	85.6	54.0	(9.2)	0.5	130.9	20.6	(4.6)	146.9
Depreciation and amortisation	(32.1)	(17.2)	(0.7)	-	(50.0)	(3.4)	-	(53.4)
Earnings before interest and tax	53.5	36.8	(9.9)	0.5	80.9	17.2	(4.6)	93.5
Less: Borrowing costs								(20.8)
Less: Income tax expense								(22.0)
Profit after tax before minority interest								50.7
Segment assets	1,489.1	1,006.5	(20.6)	(70.6)	2,404.4	149.6	(1.3)	2,552.7
Plus: Tax assets								56.9
Total assets								2,609.6
Segment liabilities	274.8	205.1	682.4	(62.0)	1,100.3	52.6	-	1,152.9
Plus: Tax liabilities								152.6
Total liabilities								1,305.5
Non-current assets on acquisition	24.4	17.8	0.5	-	42.7	2.3	-	45.0

Notes (continued)

31 DECEMBER 2003

4. SEGMENT INFORMATION (CONTINUED)

December 2002	Manufacturing $m	Australia Distribution $m	Unallocated $m	Elimination $m	Total $m	International Distribution $m	Elimination $m	Consolidated $m
Segment revenues								
Revenues from customers outside the consolidated entity	571.1	822.3	3.0	-	1,396.4	142.6	-	1,539.0
Plus: Inter-segment revenues	301.1	1.9	0.1	(287.7)	15.4	-	(15.4)	-
Total revenues	872.2	824.2	3.1	(287.7)	1,411.8	142.6	(15.4)	1,539.0
Other non-cash expenses	-	(0.2)	-	-	(0.2)	-	-	(0.2)
Earnings before depreciation and amortisation	114.7	53.5	(17.3)	(0.4)	150.5	17.7	-	168.2
Depreciation and amortisation	(33.6)	(16.6)	(0.3)	-	(50.5)	(2.7)	-	(53.2)
Earnings before interest and tax	81.1	36.9	(17.6)	(0.4)	100.0	15.0	-	115.0
Less: Borrowing costs								(22.9)
Less: Income tax expense								(32.5)
Profit after tax before minority interest								59.6
Segment assets	1,453.6	968.4	5.2	(40.4)	2,386.8	135.8	(3.0)	2,519.6
Plus: Tax assets								83.3
Total assets								2,602.9
Segment liabilities	253.4	160.0	762.6	(39.1)	1,136.9	27.0	-	1,163.9
Plus: Tax liabilities								167.9
Total liabilities								1,331.8
Non-current assets on acquisition	12.1	5.6	6.4	-	24.1	2.3	-	26.4

Notes (continued)

31 DECEMBER 2003

5. CONTINGENT LIABILITIES

	December 2003 $m	June 2003 $m
Contingent liabilities at balance date not otherwise provided for in the financial statements are categorised as follows:		
Guarantees and indemnities:		
Bank guarantees covering:		
Performance of contracts	31.2	45.6
Workers' compensation self insurance licences	39.0	41.3
Total contingent liabilities	70.2	86.9

Third party claims:

The OneSteel Group has been involved from time to time in various claims and lawsuits incidental to the ordinary course of business, including claims for damages and commercial disputes relating to its products and services. Based on legal advice obtained, other than amounts already provided for in the accounts, the directors do not expect any material liability to eventuate.

6. EVENTS SUBSEQUENT TO BALANCE DATE

On 16 January 2004, the OneSteel Group announced that it had signed a conditional agreement to purchase the shares of Midalia Steel Pty Limited. Completion of the purchase has since occurred on 2nd February 2004.

Midalia Steel operates 11 distribution sites in the state of Western Australia. For the full year ending 30 June 2004, Midalia Steel expects to generate sales of approximately $45 million.

Directors' Declaration

In the opinion of the directors of OneSteel Limited ("the Company"):

(a) the financial statements and accompanying notes:

(i) give a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and

(ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Peter Smedley
Chairman

Robert Every
Managing Director

Sydney
17 February 2004

Independent Review Report

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the consolidated entity, for the six months ended 31 December 2003. The consolidated entity comprises both OneSteel Limited and the entities it controlled during that six months ended 31 December 2003.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity is not in accordance with:

(a) the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2003 and of its performance for the six months ended on that date; and

  (ii) complying with Accounting Standard AASB 1029 “Interim Financial Reporting” and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Craig M. Jackson
Partner

Sydney
17 February 2004