



MEDIA RELEASE

OneSteel Announces Full Year Financial Results

21 August 2001

OneSteel Limited today announced that the Company had achieved a net operating profit after tax and minorities of \$23.6 million before restructuring charges. After taking restructuring charges of \$51.5 million after tax into account, the bottom line after tax result was a loss of \$27.9 million.

This result represents OneSteel's first publicly reported full year financial result on a pro-forma basis, and as such no comparable figures are available on an after tax basis.

The pro forma numbers include the results of all businesses as if the assets (including the Whyalla steelworks inventory and receivables) and operations of all businesses were part of the OneSteel Group from the 1st July 2000. Funding costs have also been calculated on the basis that OneSteel was consistently geared from the 1st July.

The operating profit was achieved from sales of \$2,637.7 million, a 10.9% decrease for the 12 months to June 2001 when compared to the prior corresponding period.

The Board declared a Final dividend of 3.0 cents per share to be paid on the 18 October with the record date being Friday, 21 September. This brings total dividends for the 2000/01 financial year to 6.0 cents.

OneSteel Managing Director and Chief Executive Officer Dr Bob Every, stated that trading conditions for OneSteel's first 8 months of operations as a new company have been tough on the back of the post-GST and Olympic slowdown, with underlying demand in some product areas as much as 30% lower than the prior year.

Dr Every said, " At the time OneSteel was spun out trading conditions were expected to be higher than was actually recorded by the end of the year. Faced with deteriorating market conditions, management introduced a number of initiatives to ensure that lower profitability did not impact the company's cash position.

" Cost reductions in the order of \$50 million, revenue enhancements valued at approximately \$15 million, tight capital expenditure management and a significant run down in inventories by \$144.8 million from their peak (not including Email inventories), over the second six months of the year were achieved. This allowed the company to meet its cash generation target with positive operating cash flow of \$170 million by June 2001.

" The strong cash flow allowed OneSteel to pay down debt reducing the company's net debt, to net debt plus equity ratio from 42.4% to 40.6% with net debt decreasing from \$857.2 million to \$762.4 million despite having to further borrow approximately \$300 million to complete the Email Metals take over.

onesteel

“ As announced in May, further initiatives which will protect future earnings were provided in the 2000/01 financial year to an amount of \$51.5 million after tax. This charge will cover the closure of the Brisbane Mill to be completed by April 2002, the outsourcing of the Whyalla Steelworks Laboratory which was completed in June 2001 and acceleration of OneSteel's restructuring program. These measures will provide a full year benefit to earnings of \$13.7 million at the EBIT level in year 2002/03.

“ Trading activity over the second six months of last financial year continued to deteriorate in major construction segments with some encouraging signs in the residential, mining, rural and oil and gas sectors by the end of the year. The outlook for OneSteel's businesses for the first half of the 2001/02 financial year is a continuation of the trading conditions in the second half of last financial year.

“ The second half of the financial year should see an increase in activity stemming from the manufacture of rails for the Alice Springs to Darwin rail project combined with some expected uplift, albeit minor, in the construction sector.

“ The priority over the next twelve months is to continue generating cash, pay down debt, fully integrate the Email business, which became a part of OneSteel on the 1st May, and further improving the underlying performance of the business,” Dr Every said.

For Further Information Contact: Mark Gell, Vice President External Affairs & Investor Relations
Phone: 9239 6616 Mobile: 0419 440 533 Email: gellm@onesteel.com



Key Financials for the 12 Months to June 2001

Pro Forma*

12 Months Ending 30 th June A\$ millions	2001 excl. prov.	2001 incl. prov	2000	% Ch excl prov
Sales Revenue	2,637.7	2,637.7	2,959.1	-10.9
Other Revenue	141.5	141.5	17.4	NA
Total Revenue	2,779.2	2,779.2	2,976.5	-6.6
Earnings Before Interest Tax Depreciation Amortisation (EBITDA)	202.6	181.7	268.0	-24.4
Earnings Before Interest Tax (EBIT)	103.4	37.7	155.2	-33.4
Net Interest	61.8	61.8		
Profit/(loss) Before Tax	41.6	-24.1		
Tax expense/(benefit)	12.1	-2.1		
Net Profit/(loss) After Tax and minorities (NPAT)	23.6	-27.9		
Cash Flow from operations	170.1	170.1		
Total Assets	2,710.8	2,710.8	2,628.4	3.1
Funds Employed	1,878.6	1,878.6	2,019.7	-7.0
Liabilities	1,594.6	1,594.6	1,465.9	8.8
Net Debt	762.4	762.4	857.2	-11.1
Capital and Investment Expenditure	108.4	108.4		
Inventories	540.3	540.3	608.0	-11.1
Employees '000	7,379	7,379	7,271	1.5
Sales per employee '000 (includes Email employees May & June)	357.5	357.5	407.0	
Net Tangible Asset backing, \$ per share		1.81	2.03	
EBIT margin on Sales %	3.9	1.4	5.2	
EBIT return on funds employed %	5.5	2.0	7.7	
Return on Equity %	2.6	NA		
Gearing (net debt:net debt plus equity) %	40.6	40.6	42.4	
Interest Cover, times	1.6	0.6		
Earnings per share (cents)	5.1	-6.0		
Dividends per share (cents)				

* These numbers has been prepared on a pro forma basis as the statutory accounts do not include the trading of all the OneSteel Group for the full 12 month period. The purchase of assets and companies by OneSteel were completed at different times between July and October 2000.

The pro forma numbers include the results of all businesses as if the assets (including the Whyalla steelworks inventory and receivables) and operations of all businesses were part of the OneSteel Group from the 1st July 2000. Funding costs have also been calculated on the basis that OneSteel was consistently geared from the 1st July.

All numbers for the 12 months to June (including segment information), have been prepared using this pro forma basis. Statutory accounts are available from the Australian Stock Exchange or from OneSteel's Internet site at www.onesteel.com.

Wherever available comparative figures for the previous periods have been prepared on the same basis. However, the pro forma balance sheet as at 30 June 2000, is not strictly comparable but the differences are not considered to be material.

Email

Following the joint bid of Email at the end of February 2001, OneSteel purchased the relevant metals business from Email at the end of April. Trading for these businesses has been included in the OneSteel results for the months May and June and a management fee has been accrued in relation to the management of OneSteel's Email metals businesses for March and April and the residual businesses from March to June.

Under the terms of the Sale and Purchase Agreement, the April 2001 balances of inventory, receivables and creditors were not purchased by OneSteel. Inventory is being purchased on a usage basis, which will be completed by July 2001, debtors and creditors have been collected/paid by Email.



Review of Operations For the 12 Months To June 2001

21 August 2000

This report has been prepared on a pro forma basis as the statutory accounts do not include the trading of all the OneSteel Group for the full 12 month period. The purchase of assets and companies by OneSteel were completed at different times between July and October 2000.

The pro forma numbers include the results of all businesses as if the assets (including the Whyalla steelworks inventory and receivables) and operations of all businesses were part of the OneSteel Group from the 1st July 2000. Funding costs have also been calculated on the basis that OneSteel was consistently geared from the 1st July.

All numbers for the 12 months to June (including segment information) in this report, have been prepared using this pro forma basis. Statutory accounts are available from the Australian Stock Exchange or from OneSteel's Internet site at www.onesteel.com.

Wherever available comparative figures for the previous periods have been prepared on the same basis. However, the pro forma balance sheet as at 30 June 2000, is not strictly comparable but the differences are not considered to be material.

Highlights

- Sales revenue decreased by 10.9% to \$2,637.7 million reflecting slower trading conditions
- Operating earnings before interest, tax, depreciation and amortisation decreased by 24.4% to \$202.6 million (pre restructuring charges)
- Operating net profit after tax and minorities was \$23.6 million on a pre-restructuring basis, and a loss of \$27.9 million on a post-restructuring basis.
- A restructuring charge of \$51.5 million after tax has been taken for the closure of the Brisbane Mill and other items.
- Cash flow from operations was \$170.1 million
- Gearing ratio (net debt : net debt plus equity) decreased from 42.4% to 40.6%
- Email Metals acquisition was completed
- \$50.5 million in costs were extracted from the businesses
- Capital and investment expenditure was \$108.4 million including \$65.7 million for part payment for the Email businesses
- Staff numbers increased marginally to 7,379 after inclusion of 613 Email employees
- Achieved a 41% reduction in the lost time injury frequency rate.
- Final Dividend declared at 3.0 cents per share fully franked.

Company Overview

Operating net profit after tax and minorities was \$23.6 million for the full 12 months ended 30th June 2001, or 5.1 cents earnings per share. After allowing for the after tax charge of \$51.5 million, an after tax loss was recorded of \$27.9 million. As this was the first recorded after tax result for OneSteel there is no comparison for the corresponding period in 2000.

onesteel

Operating Earnings before interest and tax (EBIT) was down 33.4% to A\$103.4 million, on a 10.9% decrease in sales to \$2,637.7 million. On a post-restructuring basis EBIT was down 75.7% to \$37.7 million.

Australian Distribution sales revenue was down 11.1% to \$1,245 million while EBIT was down 34.3% to \$44 million. Total tonnes of steel dispatched externally decreased by 18.5% reflecting lower demand in the construction and related sectors. Due to a combination of change in product mix and selected prices increases, the price per tonne achieved in distribution increased.

Following the joint takeover of Email at the end of February 2001, OneSteel purchased the relevant metals business from Email at the end of April. Trading for these businesses has been included in the OneSteel results for the months May and June and a management fee has been accrued in relation to the management of OneSteel's Email metals businesses for March and April and the residual businesses from March to June. The full year revenue impact of Email will be additional revenues of up to \$300 million per annum.

Manufacturing sales revenue decreased 10.9% to \$1,555.8 million while EBIT on a pre-restructuring basis decreased by 27.8% to \$62.2 million. On a post-restructuring basis EBIT declined by 101% to a loss of \$0.9 million. Total tonnes despatched externally decreased by 21.6%, reflecting the slowdown in trading activity and the move away from low value exports. Domestic tonnes dispatched decreased by 16.6%. The majority of the \$65.7 million pre-tax restructuring charge was taken in the manufacturing business segment.

International Distribution sales revenue was up slightly on the prior financial year by 2.4% to \$312.2 million while EBIT was down by 2.2% to \$22.5 million. In New Zealand dollar terms, after tax profit increased by 11.6% to NZ\$14.88 million on a 4.0% sales increase to NZ\$389.95 million. Steel and Tube Holdings Limited in New Zealand, improved its performance mainly as a result of the steel distribution business while performance from AJ Forsyth in Canada, was below that achieved last year.

Restructuring activity for the 12 months to June was considerable. A total of \$50.5 million in costs were taken out of the businesses through redundancies, rationalisation of product lines and more focussed management of OneSteel's manufacturing facilities. Furthermore, revenue enhancements provided \$15.1 million in positive contribution. The combined impact of cost reductions and revenue enhancements were not enough to fully offset the impact of the decline in sales.

In May 2001, OneSteel announced a series of further measures to protect the delivery of future earnings. They include the closure of OneSteel's Brisbane Bar Mill, the outsourcing of the Whyalla Steelworks Laboratory and the acceleration of other elements of OneSteel's restructuring program. The total charge for the restructuring at the EBIT level is \$65.7 million and \$51.5 million on an after tax basis. This initiative will provide a full year benefit of \$13.7 million EBIT by year 2002/03.

Staffing levels have marginally increased by 1.5% to 7,379, reflecting the acquisition of Email Metal's 613 staff. Excluding Email staff, the underlying staff number decreased by 7.0% to 6,766.

Operating cash flow over the 12 months to June 2001 was \$170.1 million which was greater than forecast. The strong result reflects the decision to manage the business for cash in the second half of the year in response to declining market conditions. Of the \$170.1 million, \$135 million was generated in the second six months.

Capital and investment expenditure for the period was \$108.4 million. This represents \$42.7 million of underlying capital expenditure after excluding investments and purchase

OneSteel

of businesses, which is in line with OneSteel's strategy of keeping capital expenditure at levels below depreciation and amortisation.

OneSteel's **financial gearing** continues to decline with the net debt, to net debt plus equity ratio as at the 30 June 2001, decreasing from 42.4% to 40.6%, even after allowing for the Email acquisition. This has been as a result of lower capital expenditure combined with the second half cash generation strategy. As a guide, it is OneSteel's objective to maintain its gearing in a range around 30% to 40% on a net debt, to net debt plus equity basis through the trading cycle. At times it will go above this level when growth opportunities arise.

Funds employed decreased by 7.0% over the period to \$1,878.6 million, reflecting a significant decline in OneSteel inventories.

Inventories for the period decreased by 11.1% to \$540.3 million, which includes \$38.7 million of inventory associated with the Email acquisition. The decrease in inventory was achieved in the second half of the year when inventories were at a peak of \$646.4 million at the end of December, and were reduced to \$501.6 million (excluding Email), a decrease of 22.4% or \$144.8 million.

The Final dividend was declared at 3.0 cents per share, which when added to the Interim dividend provided 6.0 cents fully franked for the year, resulting in a payout ratio of 116.5% of profits on a pre-restructuring charge basis. 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 weighted average market price during the five trading days before and including the record date for the relevant dividend. The record date for the Interim dividend will be Friday, 21 September 2001. The dividend will be paid on 18 October, 2001.

Strategies for Improving Profit and Growth

At the time of the 2001 Interim Report, an outline of a number of strategies to focus on those areas that will provide the company with some immediate performance benefits were provided, and have been updated below. As mentioned earlier, over the 12 months \$50.5 million in costs and \$15.1 million in revenue enhancements were achieved stemming from these strategies.

A summary of priorities follows.

- **Restructuring sales and marketing** activities to provide a single customer contact point – following significant restructuring of the Market Mills sales and marketing teams, a sales and operational review team across both manufacturing and distribution business has been formed to coordinate production and sales planning.
- **Integration of OneSteel businesses** – eight operational units were merged into four taking out duplicated functions.
- **Cost reduction program** – A detailed cost reduction program was initiated in December with a number of areas identified beyond the \$50 million achieved over 2000/01, which have been provided for and due for implementation over the coming financial year.
- **Improving logistics management** – inventory levels were significantly decreased over the second six months of the year and will continue to be tightly managed over the 2001/02 financial year.
- **Rationalise low margin products** – A program has been implemented to lessen the complexity of the range of products offered by OneSteel and provide unit cost production savings and improve margins.

onesteel

- **Appropriate reward structure** – OneSteel's corporate performance based reward structure will be more widely applied across the organisation. This will assist in driving integration of the businesses.
- **Industry Rationalisation** – In a joint bid with Smorgon, OneSteel completed the acquisition of Email Metals. In May OneSteel announced the closure of its Brisbane Mill which will take capacity out of the industry and provide increased production loading for OneSteel's other Mill facilities. Once fully implemented, this initiative will provide a financial benefit of \$13.7 million at the EBIT level.

Significant and Subsequent Events

There were no significant and subsequent events.

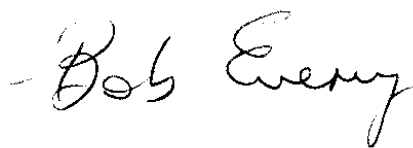
Outlook

The decline in trading activity evident in the first six months of the financial year stemming from the introduction of the GST and the Olympics worsened into the second six months. As evidenced in the result, trading conditions in the second half delivered a small operating after tax result for the company.

Part of the lower second half result also stemmed from pursuing a cash generation strategy at a cost to profit over the period once it was realised that trading conditions were continuing to deteriorate.

Looking at financial year 2001/02, trading activity in the first six months is expected to remain flat with some exceptions such as residential housing and rural sector activity. The second six months should see an increase in activity, particularly for OneSteel stemming from rail production for the Alice Springs to Darwin railway, and some expected slight pick up in construction sector activity later in the financial year.

Management focus over the next 12 months will be on continuing to generate cash, pay down debt, integrate the operations of Email Metals and further improve the underlying performance of the businesses.



Dr Bob Every
Managing Director &
Chief Executive Officer
OneSteel Limited
21 August 2001

Operations Review for the 12 Months to 30 June, 2001 - \$millions

Australian Distribution				Australian Manufacturing *				International Distribution			
	2001	2000	%		2001	2000	%		2001	2000	%
Revenue	1,245.0	1,401.1	-11.1	Revenue	1,555.8	1,746.2	-10.9	Revenue	312.2	305.0	2.4
EBITDA	70.7	94.2	-24.9	EBITDA	108.9	163.3	-33.3	EBITDA	29.3	31.0	-5.5
EBIT	44.0	67.0	-34.3	EBIT	-0.9	86.1	-101.0	EBIT	22.5	23.0	-2.2
Assets	926.4	672.4	37.8	Assets	1,575.9	1,704.9	-7.6	Assets	174.0	184.4	-5.6
Employees	2,531	2,312	9.5	Employees	4,066	4126	-1.5	Employees	700	742	-5.7
Sales Margin	3.5	4.8		Sales Margin	-0.1	4.9		Sales Margin	7.2	7.5	
<p>Market conditions Trading conditions for the year declined markedly when compared with the prior year. Major impacts included decreasing activity following the pre-GST building boom and the post Olympics trading activity slump.</p> <p>Construction sector activity, which accounts for approximately 50% of OneSteel sales declined significantly during the year impacting most segments of the business.</p> <p>In the second half of the year trading conditions were subdued with some signs of pick up in the residential and rural sectors by the end of the year.</p> <p>The manufacturing sector remained subdued, while contract work for the mining and energy remained consistent.</p> <p>Performance Sales 11.1% below the same period last year. Some product categories such as reinforcing were down some 30%, reflecting decreased construction activity.</p> <p>Lower demand has led to pricing pressure on reinforcing products. There were price increases on a number of products put through mid year, with some holding.</p> <p>Business improvement initiatives provided in excess of \$13 million benefit for the year which combined with significant inventory reductions provided a strong cash result for the business.</p> <p>Initiatives The major initiative for the year was the completion of the acquisition for Email Metals. Assets for the business were transferred on 1 May, with the full integration of the business expected to be completed by the end of the 2001/02 financial year.</p> <p>Outlook The Building and Construction market is expected to remain soft over the next year. There will be some pick up in the residential sector associated with the Federal Government's first home owner scheme grant increase, with activity in the resources sector also due to improve later in the year.</p> <p>Activity in the broader construction market is not expected to lift until later in the financial year. The Oil & Gas segment project activity is to remain firm providing demand for tube products.</p> <p>Demand from the rural sector is also expected to remain firm throughout the year.</p>				<p>Market Conditions Overall lower demand stemming from a decline in activity in the construction sector and building sectors. Activity in other sectors such as mining, rural and rail were broadly in line with expectations.</p> <p>Performance Whyalla – Despite some operational difficulties around mid-year, billet production reached record levels by year end. Significant reductions in inventories were achieved in the second half with business improvement initiatives providing \$19 million in benefits. Whyalla achieved a record 4 million person hours with no lost time injuries. Sydney Steel Mill – During the year the Mill was shut down for an extended period to realign stocks with underlying market demand. Towards the end of the year the Mill was operating at close to full capacity. Rail and Structural – Rail finished the year slightly behind projections while structural product demand fell away during the year leading to some price pressure and an increase in lower priced slab exports. Rod and Bar – Despite lower volumes, some significant productivity increases were achieved combined with price improvements in some product lines in October. During the year it was announced that the Brisbane Bar Mill will close in April 2002 with its production reallocated to the Newcastle and Sydney Bar Mill operations. Pipe and Tube – Demand was down in the structural and manufacturing segments while oil and gas held up. Price pressures and increased input costs have been partly offset by productivity improvements. Wire – While volumes were down on last year, the wire business improved its performance through a combination of decreased costs and improved pricing. With the acquisition of Email, the Martin Bright, bright bar business forms part of the Wire operations.</p> <p>Initiatives Work was undertaken on the Whyalla blast furnace during the year to ensure operation until its reline in 2004. Work will be undertaken on the structural mill in preparation for production of rail for of the Adelaide to Darwin Rail project.</p> <p>A number of initiatives were undertaken to cut costs and enhance the quality of revenues in the manufacturing segment. Combined these initiatives produced approximately \$50 million in benefits.</p> <p>Outlook Market conditions are expected to remain subdued for the first six months of the financial year. In the second six months, production for the Alice to Darwin rail project will commence diverting some production away from lower margin export. Some sectors such as rural and oil and gas are expected to remain firm.</p>				<p>Market Conditions Market demand for steel products was mixed. Strong demand from the rural sector and export focussed manufacturers were offset by a weak domestic economy.</p> <p>Performance Steel Distribution and Processing business improved its overall performance substantially during the year predominately from increased demand from the rural sector. Sales and EBIT margins increased while working capital reduced.</p> <p>Sales and profits in the Reinforcing and Roofing Products businesses were lower than last year as a direct result of the reduced activity in the building sector. A number of initiatives were introduced during the year which lowered costs and inventory levels to provide some offset to lower activity.</p> <p>Initiatives A number of initiatives were introduced during the year which lowered costs and inventory levels providing some offset to lower activity.</p> <p>Outlook The economic outlook is for more of the same with some downside possible if the economies of major trading partners do not improve in the near future.</p> <p>A J Forsyth & Co. Limited, the Canadian subsidiary was affected by a weakened economy with reduced sales and volumes for the year. Despite this placing pressure on pricing, margins were maintained.</p> <p>Due to the lower economic activity, programs were put in place to cut costs and inventories, both of which delivered some benefit. Competition remains very strong ensuring price movements will be minimal in the foreseeable future.</p> <p>The recent change of government in British Columbia will benefit the business, however, the uncertainty surrounding the North American economy still overhangs the Canadian economy.</p> <p>Activity is expected to remain at current levels over the first six months of the year with some pick up in activity possible in the second half.</p>			

* The manufacturing segment numbers include the restructuring provision.

OneSteel – Proforma Financial Summary

PROFIT & LOSS SUMMARY	12 MONTHS TO 30 JUNE (\$millions)		
	2001	2000	% Change
Revenue	2,779.2	2,976.5	-6.6
Cost of Sales	(2,597.5)	(2,708.5)	
EBITDA	181.7	268.0	-32.2
Depreciation/Amortisation	(144.0)	(112.8)	
EBIT	37.7	155.2	-75.8
Interest Expense	(61.8)		
EBT	(24.1)		
Tax Expense/(benefit)	(2.1)		
Profit After Tax	(22.0)		
OEI in Operating Profit After Tax	(5.9)		
Profit/(loss) Attributable to OneSteel	(27.9)		

CASH FLOW SUMMARY (\$millions)	June 2001
Earnings before tax	47.5
Depreciation / Amortisation	99.2
Capital & investment Expenditure	(108.4)
Working Capital Movement	183.2
Income Tax Payments	(39.6)
Asset Sales	116.8
Other	(128.6)
Operating Cash Flow	170.1
Dividend Paid	(16.0)
Total Cash Flow	154.1

BALANCE SHEET (\$millions)	As at 30 June 2001	As at 30 June 2000
Cash	14.1	16.7
Receivables	561.5	348.1
Inventory	540.3	608.0
Fixed Assets	1,224.2	1,245.2
Other assets	370.7	410.4
TOTAL ASSETS	2,710.8	2,628.4
Borrowings	776.5	873.9
Creditors	444.4	275.8
Provisions	373.7	316.2
TOTAL LIABILITIES	1,594.6	1,465.9
NET ASSETS	1,116.2	1,162.5
Share Capital	995.0	992.4
Outside Equity Interest	52.1	47.2
Retained Profits / Reserves	69.1	122.9
SHAREHOLDERS' EQUITY	1,116.2	1,162.5

SEGMENTS	12 MONTHS TO 30 June 2001 (\$millions)	Revenue			EBITDA			EBIT			Assets		
		2001	2000	% Ch	2001	2000	% Ch	2001	2000	% Ch	2001	2000	% Ch
Distribution - Australia	1245.0	1401.1	-11.1	70.7	94.2	-24.9	44.0	67.0	-34.3	926.4	672.4	37.8	
Manufacturing	1555.8	1746.2	-10.9	108.9	163.3	-33.3	-0.9	86.1	-101.0	1575.9	1704.9	-7.6	
Distribution - International	312.2	305.0	2.4	29.3	31.0	-5.5	22.5	23.0	-2.2	174.0	184.4	-5.6	
Corporate activities	130.7	0.5		-26.4	-20.5	28.8	-27.1	-20.9	29.7	85.7	144.0	-40.5	
Inter segment	-464.5	-476.3	-2.5	-0.8	-	-	-0.8	-		-51.2	-77.3		
TOTAL ONESTEEL GROUP	2779.2	2976.5	-6.6	181.7	268.0	-32.2	37.7	155.2	-75.7	2710.8	2628.4	3.1	