MEDIA RELEASE

OneSteel Doubles Net Profit After Tax to $94 Million

19 August 2003

OneSteel Limited Managing Director and Chief Executive Officer, Bob Every, announced today that OneSteel had achieved a net profit after tax and minorities of $94.0 million, approximately double the prior year's result of $47.1 million.

Earnings per share increased to 17.2 cents from 8.7 cents, while free cash flow increased to $154.9 million from $28.5 million, a fivefold increase.

Sales revenue increased 5.3% to $3,060.6 million reflecting the continued recovery in OneSteel's major markets, particularly the construction sector which accounts for 58% of OneSteel revenues, more than offsetting weaker conditions in the rural sector. The long-anticipated slowdown in residential construction is apparent but activity remains relatively strong.

Bob Every said, " I am pleased that OneSteel has achieved significant improvements in sales margins, earnings, free cash flow and return on funds employed.

" The $94 million net profit after tax was achieved despite significant increases in some of OneSteel's key cost inputs such as scrap steel and sheet and coil which added $36.3 million to our costs, almost two thirds of which was in the second half. OneSteel successfully offset these increased costs through internal cost reductions and price improvements.

" Market activity across the segments which drive OneSteel's businesses increased by 5.2% while the activity in the construction sector improved 7.8%. Underlying domestic revenues, adjusted for the impact of very large projects such as the Alice Springs to Darwin Rail line, improved 6.5%, while price per tonne improved 3.5%.

" In line with OneSteel's key strategy of focusing on domestic markets, export tonnes continued to decline to 3.8% of total dispatches, down from 7.9% for the prior year. Export pricing improved 37%, bringing total underlying price per tonne increases to 6.1%.

" Earnings increased across all the three main businesses. The improved performance in the Manufacturing business is particularly pleasing and stems from very good operational performance at Whyalla, further restructuring in Market Mills, a continued focus on operational excellence and price improvements. The Australian Distribution business continued to post improved earnings while the International Distribution business again produced outstanding results.

" In line with OneSteel's stated objective of generating cash, free cash flow of $154.9 million underpinned the strengthening of OneSteel's balance sheet over the year. Net debt now stands at $470.2 million, a 17.7% reduction from 12 months ago. As a result, gearing as measured by net debt to net debt plus equity, has improved to 26.8%, from 31.9%. Interest cover has improved to 4.5 times from 2.7 times. If we include $200 million of securitisation, OneSteel has eliminated around 44% or approximately $530 million of its debt since it peaked at around $1,200 million in March 2001.

" In April 2003, OneSteel completed a US$128 million private placement of seven and 12-year debt in the US market. The proceeds of the placement were used to pay down

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existing bank debt. The debt issue lengthens OneSteel's debt maturity profile from under 2 years to over 4 years, more closely aligning it with the long life of its assets.

" 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, sheet and coil. Restructuring/redundancy costs for the year were $5.8 million.

" Given the large amount of project activity, we expect market conditions over the next 12 months to remain robust with improvements in non-residential construction and engineering, which represent 44**%** of OneSteel's business, building momentum towards the latter part of the year. Activity from these two sectors will offset any further decline in residential construction activity and continued softness in the rural sector, which together account for 21% of OneSteel revenues. The remaining sectors are expected to remain relatively stable.

" A major event for the company will be the $80 million capital expenditure and associated $95 million inventory build for the reline of the blast furnace at Whyalla which is scheduled to occur over approximately 65 days over June/July 2004. A total of $19.5 million in capital and $10.6 million on inventory was expended in 2002/03. The remaining $145 million is to be funded from internal cash generation, approximately $110 million of which will be in 2003/04, therefore debt will remain at current levels.

" The 2004/05 year will be a very strong cash generation year as the inventory levels associated with this project are run down coupled with the company's normal strong cash flow. This will put the company in a strong position to consider any growth opportunities that may be available.

" Around the same time as the completion of the Blast furnace reline, it is expected the company will be in a position to announce the outcome of the feasibility study into OneSteel's magnetite resources in the South Middleback Ranges.

" As well as managing these projects, management will continue its focus on generating cash, improving capital management, managing costs down and retiring debt to improve profitability, " Dr Every said.

The OneSteel Board declared a final dividend of 6.0 cents per share fully franked, bringing total dividends for the year to 11.0 cents. The dividend is to be paid on Thursday, 16 October, with close of books on Friday, 19 September 2003.

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