MEDIA RELEASE

OneSteel Lifts Net Operating Profit After Tax By 22.6%to $132.5 Million

16 August 2005

OneSteel Limited Managing Director and Chief Executive Officer, Geoff Plummer, announced today that OneSteel achieved a net operating profit after tax of $132.5 million, up 22.6% from the previous year's record result of a net operating profit after tax and minorities of $108.1 million (excluding tax consolidation adjustment). This represents an increase in earnings per share to 23.5 cents from 19.5 cents.

Sales revenue increased by 20.5% to $3,938.5 million mainly reflecting a 15.1% increase in prices, to recover cost increases and a 4.1% increase in tonnes dispatched as a result of stronger domestic market conditions and recovery of some volume from imports.

Geoff Plummer said, "The 2005 result is very pleasing, particularly our price leadership to recover higher raw material costs and the strong cash generation. "

Trading conditions remained robust for the 12 months to June 2005 compared with the prior year. Across the segments that drive OneSteel revenues, there was a 1.1% increase in activity. Construction expenditure, which accounts for 61% of OneSteel revenues, increased a further 2.9%, driven by very high activity levels in the engineering segment.

Geoff Plummer said, " Market conditions continue to be strong underpinning the growth in OneSteel's sales. The profit result was supported by price increases that have come into effect since the beginning of the 2004 calendar year to recover significantly higher input costs associated with scrap, hot rolled coil and other raw material costs. The outcome was also assisted by the success of programs to recover volume from imports in certain product lines and further benefits from OneSteel management's initiatives.

" Despite the higher profit result, OneSteel sales margins decreased slightly from 7.3% to 7.1% reflecting the impact of production disruptions at the Whyalla Steelworks in the first half of the period that cost approximately $60 million (EBITDA).

" OneSteel's Australian Distribution business performed well with its sales margin increasing from 6.8% to 7.9%. However, in Manufacturing the margin declined from 7.7% to 5.8% as a result of the production disruptions. The International Distribution business, based in New Zealand, continued to perform extremely well. Sales margin improved from 12.5% to 13.9%, with the associated EBITA contribution increasing by 31.4% from $42.7 million to $56.1 million.

" Within the Australian business there were substantial cost increases of $226 million during the year adding to the $71 million incurred in the prior period. The main elements behind the cost increases during the most recent 12-month period were hot rolled coil, scrap and other raw materials. To offset the increased cost base, OneSteel implemented price increases and other revenue enhancements totalling $309 million and cost reductions of $47 million.

" Operating cash flow for the period was $107.0 million notwithstanding funding significantly higher working capital requirements associated with higher prices and capital expenditure of $126.8 million, the majority of which was related to the blast furnace reline and Magnet projects.

"Financial gearing (including securitisation) fell from 33.1% in the corresponding prior period to 30.7%. Net debt increased by $176.3 million or 37.6% compared with June 2004, due to the discontinuation of a $200 million securitisation program, leaving OneSteel with net debt of $645.3 million. Interest cover declined from 5.1 times to 4.9 times.

“ The EBITA return on funds employed (ROFE) was 14.2%, compared with 13.2% in the previous corresponding period while return on equity rose to 10.5% from 9.1%.

“ In May 2005 the OneSteel Board gave final approval for Project Magnet at an expenditure of $325 million. Contracts have been awarded for the construction (Thiess), transhipping (CSL) and marketing (BHP Billiton) elements of the project with the mining contract scheduled to be awarded by December 2005.

“ The Whyalla blast furnace has been producing iron in line with historical levels since December.

“ In the next twelve months, domestic market conditions are expected to remain favourable with expenditure in engineering and non-residential construction forecast to offset the residential slow down.

“ The mining and other manufacturing sectors are expected to grow offsetting any negative impacts from the automotive and rural sectors. OneSteel management will maintain focus on price leadership in response to the expected, ongoing volatility in raw material costs and international steel markets.

“ Over the medium term, management will be focussed on delivering Project Magnet and the discipline of tight cash management and cost control will be maintained to ensure OneSteel continues to meet its cash and other financial objectives, ” Geoff Plummer said.

The OneSteel Board declared a final dividend of 7.5 cents per share fully franked, bringing total dividends for the year to 13.5 cents. The dividend is to be paid on Thursday 20 October, with close of books on Friday, 16 September 2005.

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