MEDIA RELEASE

OneSteel Announces 27% Profit After Tax Increase to $57.9 million in the Six Months to December 2004

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OneSteel Limited Managing Director and Chief Executive Officer, Bob Every, announced today that OneSteel had achieved a net operating profit after tax of $57.9 million in the six months to December 2004, up 27.3% from the $45.5 million profit in the corresponding period last year. Sales revenue increased by 20.7% to $1,890.5 million when compared with the corresponding period last year.

Trading conditions remained robust for the six months to December 2004 compared with the prior year. Across the segments that drive OneSteel revenues, there was a 3.2% increase in activity from already high levels. Construction expenditure, which accounts for 62% of OneSteel revenues, increased 4.1%, driven by solid momentum in the engineering sector, combined with continued high levels of activity in the residential and non-residential sectors.

Bob Every said, " In these strong market conditions the Distribution businesses in Australia and New Zealand performed strongly with increased volumes and prices and the earnings before interest, tax, depreciation and amortisation (EBITDA) up 35.2% and 50% respectively.

" The Australian Manufacturing business was impacted by the blast furnace production disruptions in the latter part of the period. As previously advised, around 140,000 tonnes of steel production were lost at the Whyalla Steelworks. The net negative affect of the blast furnace production disruptions on the first half was an estimated $38 million at the EBITDA level. To minimise the impact on customers OneSteel altered rolling schedules and imported product to meet demand.

" The Whyalla blast furnace has been operating normally since December 15 with revised operating parameters implemented and we will focus on maintaining stable operations.

" Market conditions continue to be strong underpinning the growth in OneSteel's sales. The profit result was supported by price increases that came into effect at various times during the 2004 calendar year to recover significantly higher input costs associated with scrap and hot rolled coil. The outcome was also assisted by recovery of market share from imports in some product lines and further benefits from OneSteel's restructuring program.

" In combination these factors resulted in our sales margin, based on an earnings before interest, tax and amortisation (EBITA) to sales revenue basis, being steady at 6.6% when compared with the prior corresponding period.

" Total domestic sales revenue grew by 19.7% to $1,820.1 million, while our export sales revenue increased by 52.0% to $70.4 million.

" Our cost reduction program delivered $30 million of savings and revenue enhancements of $114 million were achieved for the six months. These more than offset cost increases of $94 million. Over the 2004 calendar year, increased costs of $138 million were offset by revenue initiatives of $133 million and cost reductions of $61 million. The main elements behind the cost increases during the six months to December were scrap, sheet and coil and labour.

" The EBITA return on funds employed (ROFE) was 13.4%, compared with 11.7% in the previous corresponding period. Return on equity rose to 9.6% from 7.8% while earnings per share was 10.3 cents, compared with 8.3 cents in the six months to December 2003.

“ Operating cash flow for the period was only slightly negative ($7.2 million) notwithstanding funding higher sales tonnes and price increases. Higher capital expenditure of $64 million, more than half of which was related to the blast furnace reline project that was completed during the period, also increased the cash requirements of the business.

“ Net debt increased by $12.1 million or 2.4% compared with December 2003 to leave OneSteel with net debt of $509.0 million, plus $200 million of securitisation. Including securitisation, gearing fell from 34.9% in the corresponding prior period to 33.5%. Interest cover improved from 4.5 times to 4.8 times.

“ The Australian business segments were supported by continuing strong market conditions and the implementation of steel price increases to reflect higher input costs incurred over the past year. As a result, sales margins in Australian Distribution rose from 5.0% to 6.0%.

“ However, in Manufacturing the margin declined from 6.3% to 5.1% due to the impact of production disruptions at the Whyalla Steelworks.

“ The International Distribution business, based in New Zealand continued to perform extremely well. It increased EBITA profit by 54.9% from $18.2 million to $28.2 million and the associated sales margin increased from 11.2% to 14.2%.

“ In August the OneSteel Board approved commencement of Project Magnet and committed $30 million for the first stage. Of this amount, $7 million has been spent, with the basic engineering nearing completion and detailed engineering commenced, further drilling undertaken and the mining cut back initiated. The iron ore and pellet marketing strategy is being progressed, as is transhipping of the iron ore.

“ During the intervening period commodity prices and costs for project capital equipment and skilled labour have increased. Therefore estimated revenue from the project will be higher and estimates for capital expenditure have also increased. The overall value of the project remains extremely attractive and it continues to be an important growth opportunity for OneSteel. Management is focused on delivering a successful outcome and incorporating lessons from the blast furnace reline project.

“ Because of all these factors, the timeline for the project is now such that full ramp up will not have occurred until towards the end of the 2006/07 financial year. As previously stated, each element of the project requires Board approval and some regulatory approvals are still being sought. More details will be announced on approval of all project elements by the Board.

“ We expect overall market conditions to remain robust for the remainder of the financial year. There will be some flow-on negative impact from the blast furnace disruptions into the second half, which we estimate to be in the order of $15 million at the EBITDA line. Assuming that is the case and that international steel market conditions remain strong and currency markets are relatively stable, OneSteel expects to achieve a net profit after tax result for the full year in the range of $110 million to $125 million. That compares with the $108.1 million net operating profit after tax and minorities in the 2004 financial year,” Bob Every said.

The OneSteel Board declared an interim dividend of 6.0 cents per share fully franked, to be paid on 21 April, 2005, with close of books on Friday 18 March, 2005. This compares with a 5.0 cent fully franked dividend paid for the six months to December 2003.

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