



MEDIA RELEASE

OneSteel Lifts Net Operating Profit After Tax to \$108.1 Million

17 August 2004

OneSteel Limited Managing Director and Chief Executive Officer, Bob Every, announced today that OneSteel had achieved a net operating profit after tax and minorities of \$108.1 million, up from the previous year's record result of \$94.0 million. This represents an increase in earnings per share to 19.5 cents from 17.2 cents.

OneSteel's total net profit after tax was \$127.9 million when a one-off tax benefit of \$19.8 million is included as a result of entry during the year into tax consolidation (all the profit numbers in the media release refer to the net operating profit after tax and minorities i.e. excluding the tax consolidation benefits).

Sales revenue increased 6.8% to \$3,269.2 million mainly reflecting the continued strength in OneSteel's major markets, particularly the construction sector which accounts for approximately 60% of OneSteel revenues.

Bob Every said, " It is pleasing to achieve another record result particularly given the extremely dynamic international steel and currency market activity during the period. Market activity across the segments that drive OneSteel's businesses increased by 3.5% while activity in the construction sector rose 5.0%. Underlying domestic steel revenues, adjusted for the impact of very large projects improved by 6.8%.

" Export tonnes increased marginally to 4.7% of total dispatches, compared with 3.8% for the prior year. Export pricing decreased 12.6% in Australian dollar terms.

" The first six months was a difficult period for the business with imports increasing as a result of the Australian dollar appreciation placing downward pressure on prices. The second six months was characterised by significant increases in international steel prices, leading to higher input costs. Total cost increases for the year were \$71 million.

" OneSteel was able to offset these factors by cutting costs by \$50 million, increasing prices that added \$28 million in value and more effectively competing against imports which plateaued in the six months to June. Furthermore, underlying domestic market activity driven by the construction sector remains very strong," Bob Every said.

" All OneSteel business segments improved their performance at all levels including profit, sales margin and return on funds employed. Cash generation was sufficient to meet our objective of funding the capital expenditure and inventory build required for the blast furnace reline without increasing OneSteel's net debt position.



“ Gearing as measured by net debt to net debt plus equity (including securitisation), has improved to 33.1%, from 34.3%, while interest cover has increased to 5.1 times from 4.5 times.

“ The blast furnace reline project commenced on the 4th June and the construction phase is complete and we are in the commissioning and ramp-up phase. Operations are due to be back to full production over the next 30 days. The reline component, which was originally scheduled to take 65 days, took 74 days to complete.

“ This will mean the total costs of the project (capital and cash) whilst not finalised will be approximately \$110 million. This will not be material on OneSteel's profit or cash performance in the 2004/05 financial year, or on the company's ability to meet market demand.

“ OneSteel has embarked on a very exciting project to harness its magnetite ore resources in the South Middleback Ranges in South Australia. On successful completion of a \$6 million feasibility study, the OneSteel Board has committed a further \$30 million to progress the project. The total project is expected to cost approximately \$250 million (including mine strip-back costs), and will extend the life of our Whyalla Steelworks beyond 2027.

“ It will also generate over \$1 billion in revenue over the next 10 years, providing an additional source of earnings for OneSteel.

“ In the next twelve months, given the large amount of project activity, we expect market conditions to remain robust with non-residential construction and engineering activity which represent 47% of OneSteel revenues remaining at high levels, offsetting any further softness in residential construction activity. Rural sector activity will be impacted by the continuing drought, while the sectors of manufacturing, automotive and mining should be firm.

“ In the short term, major focus will be placed on ensuring the blast furnace ramp up is completed successfully. Over the medium term, with the commencement of Project Magnet, increased emphasis will be placed on tight working capital management and cash generation to ensure OneSteel continues to meet its financial objectives. Management will be highly focussed on delivering Project Magnet so the benefits can flow in the 2006/07 financial year,” Bob Every said.

The OneSteel Board declared a final dividend of 7.0 cents per share fully franked, bringing total dividends for the year to 12 cents. The dividend is to be paid on Thursday, 14 October, with close of books on Friday, 17 September 2004

For Further Information Contact: Mark Gell, General Manager Corporate Affairs & Marketing

Phone: 9239 6616 Mobile: 0419 440 533 Email: gellm@onesteel.com