MEDIA RELEASE

OneSteel Announces $45.5 Million Profit After Tax in the Six Months to December 2003

17 February 2004

OneSteel Limited Managing Director and Chief Executive Officer, Bob Every, announced today that OneSteel had achieved an after tax profit of $45.5 million in the six months to December 2003. That compares with a $54.9 million profit in the corresponding period last year and a profit of $39.1 million for the six months to June 2003. The profit was achieved on increased sales revenue of 2.7% to $1,566.7 million when compared with the corresponding period last year.

Trading conditions remained buoyant for the six months to December 2003 compared with the prior year. There was a 1.4% improvement across those segments that drive OneSteel revenues. Construction expenditure, which accounts for 57% of OneSteel revenues, increased by 3.4% driven by continued high levels of activity in the residential sector combined with solid momentum in the non-residential and engineering sectors.

Bob Every said, " Market conditions continue to be strong underpinning the growth in OneSteel's sales. However, this did not translate into a better profit result when compared with the prior corresponding period because input costs associated with scrap and hot rolled coil were significantly higher. While we were able to increase pricing in some areas, we were not able to fully recover the cost increases.

" The main influencing factor on prices was the increase in imports associated with the rising Australian dollar. Some of these imports were arriving in the country at irrational prices and OneSteel recently submitted an anti-dumping application to Australian Customs for certain products.

" As a result, our sales margin, based on an earnings before interest, tax and amortisation (EBITA) to sales revenue basis declined to 6.6% from 8.2%.

" Total domestic sales grew by 2.4% to $1,520.4 million, while our export sales increased by 14.0% to $46.3 million. Exports increased as a percentage of total tonnes dispatched from 3.7% to 5.1%. Adjusting revenue for acquisitions, the underlying sales increase was 0.9%.

" Revenue enhancements of $8.6 million were achieved for the six months. Our cost reduction program delivered $19.0 million in savings. Cost increases during the six months to December were $27.2 million with the main elements being higher labour costs and increased prices for scrap steel feed and hot rolled coil and sheet.

" The EBITA return on funds employed (ROFE) was 11.7%, compared with 14.0% in the previous corresponding period. Return on equity fell to 7.8% from 9.6% while earnings per share was 8.3 cents, compared with 10.1 cents in the six months to December 2002.

" Operating cash flow was in line with expectations at $22.0 million for the six months, with free cash flow of $11.4 million. This is on track to meet our objective of maintaining net debt at June 2003 levels by June 2004 while internally funding the blast furnace project. The $22.0 million operating cash flow compares with an operating cash flow of $76.1 million in the previous corresponding period. After adjusting for the blast furnace project expenditure during the period, operating cash flow was $69.6 million while free cash flow was $59.0 million.

" During the six months to December 2003, $13.5 million in capital expenditure and $32.1 million in associated inventory build was expended for this project. To date, capital expenditure of $35.0 million of approximately $80 million associated with the blast furnace project has been spent on time and on budget. A total of $42.7 million in inventory had been built by the end of December, with a further $52.3 million to be built by early June 2004.

“ Net debt decreased by $15.7 million or 3.1% compared with December 2002 to leave OneSteel with net debt of $496.9 million, reducing gearing from 28.7% to 27.6% in the corresponding prior period, and giving interest cover of 4.1 times.

“ The Australian business segments were impacted by higher costs placing pressure on margins. As a result, sales margins in Australian Distribution declined from 5.5% to 5.0%, while in Manufacturing they declined from 9.4% to 6.3%. The International Distribution business, based in New Zealand, performed extremely well. It increased EBITA profit by 16.7% from $15.6 million to $18.2 million, assisted by the Hurricane Wire Products acquisition, with the associated sales margin increasing from 10.9% to 11.2%.

“ We expect overall market conditions to remain robust for the remainder of the financial year. Some of the positive impact of stronger market conditions in the six months to December 2003 was moderated by the full flow on affect of the increased Australian dollar and associated increased imports.

“ Towards the end of 2003 and into early 2004, international steel raw material, semi-finished product and finished product prices increased significantly, outstripping the growth in the Australian dollar. If this trend consolidates then we believe the import pressure faced over the six months to December 2003 will mitigate and provide some opportunity for price improvements and regaining market share. The anti-dumping action, if successful, could enhance the position further.

“ On balance, OneSteel is comfortable with the current equity analyst range for 2003/04 net profit after tax of between $78 million and $90 million”, Bob Every said.

The OneSteel Board declared an interim dividend of 5.0 cents per share fully franked, to be paid on 22 April, 2004, with close of books on Friday 26 March, 2004.

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