

Media Release

OneSteel Lifts Net Operating Profit After Tax By 15.1% to \$197.5 Million

21 August 2007

OneSteel Limited Managing Director and Chief Executive Officer, Geoff Plummer, announced today that OneSteel had achieved a net operating profit after tax of \$197.5 million in the 12 months to June 2007, up 15.1% from the \$171.6 million comparable profit of the prior year. This represents a 13.8% increase in earnings per share to 34.5 cents from 30.3 cents.

A tax benefit of \$9.5 million was booked on derecognition of deferred tax liabilities associated with the formation of the Australian Tube Mills joint venture between OneSteel and Smorgon Steel. Statutory net profit after tax and minorities including this benefit was \$207.0 million.

Geoff Plummer said, " It is very pleasing to report another profit improvement and continued double-digit growth in earnings per share. I am also pleased that we have managed our gearing ratio at the lower end of our target range after total investments to date of approximately \$379 million on our major expansion project, Project Magnet, and that we continue to generate strong operating cashflow.

" Other highlights are the 6.1% increase in raw steel production to a record 1,733,406 tonnes. This coincided with record safety outcomes with our lowest ever lost time injury frequency rate and medical treatment injury frequency rate. The improvement in the sales margin and the return on equity are also pleasing.

" Management achieved cost reductions of approximately \$40 million to help offset inflationary costs and price increases for raw material inputs that took total cost increases to around \$159 million. Management also achieved revenue enhancements of approximately \$150 million.

" The result was achieved in a mixed domestic market with solid demand in the resources and infrastructure segments, but weakness in manufacturing, automotive and rural segments, and against a backdrop of volatile international pricing for steel and key inputs.

" Project Magnet capital construction work was substantially completed in the 2006/07 financial year, with around \$379 million spent as at 30 June 2007. The total cost of the project was previously forecast at \$390 million, with the current estimate now \$395 million.

" During the period under review, export sales of iron ore lump and fines totalled more than 1.8 million tonnes, above the planned ramp-up in ore sales of 1.5 million tonnes that was announced in May 2005. These sales

included six shipments of iron ore in Cape-size vessels during the second half from the port of Whyalla.

“ We are pleased that the Smorgon transaction completed on 20 August.

“ Trading conditions are broadly in line with our expectations. The mining and non-residential and engineering construction segments continue to be solid. There is continued weakness in residential construction activity. The manufacturing and automotive component segments remain soft, as are the drought-affected rural segments. Factors such as the higher exchange rate and imports are increasing competitive pressures in certain product lines.

“ International prices for steel and key inputs such as hot rolled coil are expected to remain volatile while the medium-term outlook for iron ore prices continues to be positive. The underlying market for recycled products is expected to remain robust, however a range of factors continues to drive volatility.

“ Management’s priorities continue to be to further improve returns from current businesses, to complete Project Magnet, and to effectively integrate the acquired businesses of Smorgon Steel and to deliver the expected level of benefits and synergies,” Geoff Plummer said.

The OneSteel Board declared a final dividend of 10.5 cents per share fully franked, bringing total dividends for the year to 18.5 cents. This compares with a 17.0 cent fully franked dividend paid in the previous year. The dividend is to be paid on 18 October 2007, with close of books on 14 September 2007. The DRP will operate for the final dividend. No discount applies to the DRP. DRP election notices must be received at OneSteel’s Share Registry by 5.00pm on 14 September 2007.

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**FINANCIAL RATIOS
12 MONTHS ENDING 30 JUNE
\$A millions**

	Jun-07	Jun-06	% Change
Sales	4,300.6	4,004.6	7.4%
Other Revenue/Income	33.9	39.0	(13.1%)
Total Revenue/Income	4,334.5	4,043.6	7.2%
Gross Profit	837.2	798.7	4.8%
Operating EBITDA	436.1	396.7	9.9%
Depreciation & Amortisation (excl goodwill)	(96.2)	(94.0)	2.3%
Operating EBIT	339.9	302.7	12.3%
Finance costs	(55.8)	(56.7)	(1.6%)
Operating Earnings before tax	284.1	246.0	15.5%
Tax expense	(74.7)	(60.8)	22.9%
Operating PAT before MI	209.4	185.2	13.1%
Minorities	(11.9)	(13.6)	(12.5%)
Net operating profit after tax	197.5	171.6	15.1%
Net profit after tax	207.0	187.5	10.4%
Total Assets	3,569.5	3,138.8	13.7%
Inventory	836.3	758.9	10.2%
Total Liabilities	1,919.5	1,637.2	17.2%
Funds Employed	2,481.1	2,189.8	13.3%
Total Equity	1,650.0	1,501.6	9.9%
Net Debt incl Derivatives	831.1	688.2	20.8%
No of shares (at end of period)	572.4	566.2	1.1%
Operating cash flow	276.5	250.8	10.3%
Free Cash Flow	(81.4)	36.4	(323.6%)
Capital and investment expenditure	360.5	227.6	58.4%
Operating Return on Assets (EBIT)	10.1%	9.7%	
Operating Return on Equity	13.3%	12.9%	
Operating Return on Funds Employed (ROFE)	14.6%	14.4%	
Operating EBIT to sales	7.9%	7.6%	
Operating Earnings Per Share (cents) - year end	34.5	30.3	13.8%
Dividends per share (cents)	18.5	17.0	8.8%
Dividend payout ratio	69.6%	56.3%	
Gearing (net debt/net debt + equity) incl derivative	33.5%	31.4%	
Gross Profit Margin	19.5%	19.9%	
Interest cover	6.1	5.3	
NTA per share (\$)	2.40	2.16	11.1%
Employees	7,526	7,527	(0.0%)
Sales per employee (\$000s)	571	532	7.3%
Cost increases	159	267	
Cost reductions	40	39	
Revenue enhancements	150	236	
Raw steel production	1,733,406	1,633,696	6.1%
Steel tonnes despatched	2,278,322	2,275,780	0.1%
Steel exports, % of total steel despatches	3.4%	10.3%	

The 2007 despatch tonnes have been normalised to include the results from the business that OneSteel contributed to the Australian Tube Mills joint venture as if the business had remained part of the Distribution segment for the full year.