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ASX RELEASE

19 August 2008

EBITDA of $767 million at upper end of market guidance

(ASX:OST) OneSteel Limited Managing Director and Chief Executive Officer, Geoff Plummer, announced today that the company had achieved earnings before interest, tax, depreciation and amortisation (EBITDA), excluding restructuring costs of $77 million and synergy benefits of $41 million associated with the integration of the Smorgon Steel businesses, of $767 million.

Net operating profit after tax, excluding restructuring and other non-recurring items was $315 million for the 12 months ended 30 June 2008, an increase of 59% from the $197.5 million reported for the previous financial year.

Statutory net profit after tax, including the impact of restructuring and other non-recurring costs of $70.1 million was $244.9 million, up 18% from the $207 million reported last financial year.

"The strong performance at the EBITDA line is at the upper end of our market guidance of $710 million to $780 million, and is particularly pleasing given difficult market conditions during the year, particularly in the first half, while in the second half we experienced unprecedented increases in input costs," Mr Plummer said.

"The result highlights the strength of OneSteel's integrated business model with our major businesses demonstrating their ability to manage well in a volatile cost environment for raw materials, ferrous and non ferrous scrap and steel," Mr Plummer said.

Other highlights for the year include the significant progress on two major growth initiatives, Project Magnet and the merger of the Smorgon Steel businesses.

Project Magnet, approved in May 2005, has focused on the commercialisation of OneSteel's magnetite ore reserves and the increased sales of hematite ore. The company has invested approximately $400 million in the project. "The conversion to magnetite feed has allowed the company to significantly increase its iron ore sales and deliver real benefits to shareholders," Mr Plummer said.

Benefits of Project Magnet include extending the life of the steelworks, with the transition of both the pellet plant to magnetite ore feed and the blast furnace to magnetite pellets, in addition to increased iron ore sales.

The ramp up of iron ore sales under the project increased to 4.4 million tonnes for the year, greater than the initial target of 4.0 million tonnes per annum.

In February this year, OneSteel announced that work was underway to further increase iron ore sales above 4 million tonnes per annum and to identify and prove up increased iron ore reserves.

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The first stream of this new work is aimed at lifting sales of iron ore through improving OneSteel's operational and supply chain capability. This includes reviewing all aspects including mining, handling, crushing and screening, rail, warehousing and barging. Work to date has resulted in OneSteel being well progressed in adding additional plant and equipment including rolling stock and crushing and mining equipment. This is expected to result in an increase in our iron ore sales to 6 million tonnes per annum from the start of the 2010 financial year.

The second stream of the new work aims to increase ore reserves and resources via a two year program, divided into three separate phases. The first involves updating our mine plans using appropriate assumptions. We have already made significant progress on this phase, which has resulted in a further 13 million tonnes of hematite being added to our reserves. The next two phases include actively pursuing mine extension and exploration work. Work has commenced and will further ramp up in coming months on these phases with the initial focus being on the extension drilling work.

"Project Magnet has delivered significant benefits through increased iron ore sales and improved operational capability. This has given us a solid base to pursue further opportunities to increase our iron ore sales. We are encouraged that the next phase of Project Magnet is delivering early benefits and we are continuing to work on extending these benefits," Mr Plummer said.

"We recorded $41 million of synergy benefits for the year from the Smorgon Steel transaction. This was well above the initial target of $25 million for the first full year. We estimate that cost synergies will increase to $80 million gross in the 2009 financial year and that we will reach a run rate of $100 million by the start of the 2010 financial year," Mr Plummer said. Restructuring costs associated with the integration of the Smorgon businesses during the 2008 year were $77 million and are expected to be $20 million in the 2009 financial year.

Mr Plummer also said, "International prices for steel and steelmaking inputs have increased to unprecedented levels in 2008 due to very strong demand. The inflationary impact of this has led to a significant increase in working capital at year-end. Despite a build up in our working capital position, we are confident that this represents an appropriate investment to support our customer service objectives."

The outlook for the balance of 2009 remains positive with OneSteel's key segments of resources and domestic construction, particularly engineering and infrastructure expected to remain strong. No improvement is expected to the domestic manufacturing, residential construction and rural segments, which will remain relatively weak. We expect international prices for steel and steelmaking inputs to continue to be volatile, but generally remain at high levels by historical standards underpinned by continued strong international demand for steel and steelmaking inputs.

The OneSteel Board declared a final dividend of 13.5 cents per share fully franked, bringing total dividends for the 2008 financial year to 21.5 cents. The dividend is to be paid on 16 October 2008. Books will close on 12 September 2008. 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 12 September 2008.

Ends

Further information about OneSteel Limited can be accessed via www.onesteel.com.

The FY08 ASX Release forms part of a package of information about the company's 2008 financial results and should be read in conjunction with the other FY08 results materials including, Review of Operations, FY08 Results presentation and Financial Statements to the end of June 2008.

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FINANCIAL RATIOS
12 MONTHS ENDING 30 JUNE

$A millions	Jun-08	Jun-07	% Change
Sales	7,434.3	4,300.6	72.9%
Other Revenue/Income	50.5	33.9	49.0%
Total Revenue/Income	7,484.8	4,334.5	72.7%
Gross Profit	1,681.2	837.2	100.8%
Operating EBITDA	807.7	436.1	85.2%
Depreciation & Amortisation	(194.9)	(96.2)	102.6%
Operating EBIT	612.8	339.9	80.3%
Finance costs	(159.6)	(55.8)	186.0%
Operating Earnings before tax	453.2	284.1	59.5%
Tax expense	(128.0)	(74.7)	71.4%
Operating PAT before MI	325.2	209.4	55.3%
Minorities	(10.2)	(11.9)	(14.3%)
Net operating profit after tax	315.0	197.5	59.5%
Net profit after tax (statutory)	244.9	207.0	18.3%
Total Assets	7,327.8	3,569.5	105.3%
Inventory	1,298.9	836.3	55.3%
Total Liabilities	3,894.9	1,919.5	102.9%
Funds Employed	5,497.3	2,481.1	121.6%
Total Equity	3,432.9	1,650.0	108.1%
Net Debt incl Derivatives	2,064.4	831.1	148.4%
No of shares (at end of period)	876.2	572.4	53.1%
Operating cash flow	350.8	276.5	26.9%
Free Cash Flow	43.9	(81.4)	153.9%
Capital and investment expenditure	2,475.0	360.5	586.5%
Operating Return on Assets (EBIT)	11.3%	10.1%	
Operating Return on Equity	12.6%	13.3%	
Operating Return on Funds Employed (ROFE)	15.2%	14.6%	
Operating EBIT to sales	8.2%	7.9%	
Operating Earnings Per Share (cents) - year end	36.0	34.5	4.3%
Dividends per share (cents)	21.5	18.5	16.2%
Dividend payout ratio	77.1%	69.6%	
Gearing (net debt/net debt + equity) incl derivative	37.6%	33.5%	
Gross Profit Margin	22.6%	19.5%	
Interest cover (times)	3.8	6.1	
NTA per share ($)	1.52	2.40	(36.7%)
Employees	11,678	7,526	55.2%
Sales per employee ($000s)	637	571	11.6%
Cost increases	330	159	107.5%
Cost reductions	91	40	128.6%
Revenue enhancements	196	150	30.7%
Raw steel production	2,559,422	1,733,406	47.7%
Steel tonnes despatched	3,659,823	2,278,322	60.6%
Steel exports, % of total steel despatches	8.5%	3.4%	148.6%

1. June 2008 results exclude the impact of restructuring costs and impairment of plant and equipment associated with the integration of the Smorgon Steel Group and Australian Tube Mills businesses of $70.1m after tax. These statistics include the results of the Smorgon Steel Group Limited from 20 August 2007 only.
2. June 2007 results exclude the impact of the derecognition of deferred tax liabilities of $9.5m.