Media Release

OneSteel Lifts Net Operating Profit After Tax By 6.3% to $104.4 Million in the Six Months to December 2007

19 February 2008

OneSteel Limited Managing Director and Chief Executive Officer, Geoff Plummer, announced today that OneSteel had achieved a net operating profit after tax and excluding restructuring costs and impairment of plant and equipment, of $104.4 million in the six months to December 2007, up 6.3% from the $98.2 million profit of the corresponding period last year. After restructuring costs and impairment of plant and equipment associated with the Smorgon Steel integration, the net statutory profit after tax was $74.6 million.

Geoff Plummer said, "Highlights of the six months were the significant progress on OneSteel's two major growth initiatives of Project Magnet and the merger and integration of the Smorgon Steel businesses. Sales revenue and operating earnings were also up strongly with the contribution of the acquired Smorgon Steel businesses from 20 August 2007 and there was strong operating cashflow for the half.

" Project Magnet, the commercialisation of OneSteel's magnetite iron ore deposits continues to achieve major milestones. The transition of the pellet plant to magnetite ore feed occurred in early December and was followed by the planned pellet inventory build. The transition of the blast furnace to the new magnetite pellets commenced before Christmas and is now effectively complete with the new pellets performing well in the blast furnace. We are on track to ramp up to 4 million tonnes of external iron ore sales in this financial year after sales of almost 1.9 million tonnes in the period under review. The most recent estimate of the cost of the project will be approximately $400 million, compared with the previous forecast of $395 million.

" The merger with Smorgon Steel Group was completed on 20 August and the integration of the businesses is going well. In terms of progress against the synergy targets, the current estimate for synergy benefits in year 1 is $41 million, above the targeted first full year benefit of $25 million. The estimated cost of attaining the benefits is now $82 million which includes the $35 million cost of the bar mill restructuring that was announced on 15 February. The bar mill restructuring will deliver negligible benefits this financial year as the closures and operational changes do not come into effect until the second half of the 2008/09 financial year. Costs associated with attaining the synergy benefits are by their nature often expensed prior to the benefits accruing. Progress to date with the acceleration of net synergy benefits is encouraging.

`Management's strong focus on customer retention during the integration process has so far been rewarded with good levels of support from customers and minimal loss of sales.

" The results of the domestic steel operations were achieved in a mixed domestic market with solid demand in the resources and infrastructure segments and from non-residential construction while demand remained soft in the residential construction, manufacturing, automotive and rural segments. However, this was against a backdrop of volatile international pricing for steel, steel raw materials and ferrous and non-ferrous scrap and a high and generally strengthening exchange rate that had a negative impact on margins, particularly in our Distribution and Recycling businesses.

" OneSteel has continued to focus on cost reductions to recover inflationary costs and revenue enhancements to pass through major input cost increases. The same processes that OneSteel has historically applied are progressively being rolled out through the acquired businesses in addition to the specific synergy initiatives. In the six months to December 2007 the pre-existing businesses' achieved cost reductions of $37 million and revenue enhancements of $12 million. While the cost reductions were sufficient to offset inflationary costs, the revenue enhancements achieved during the period only partly offset price increases for raw material and key inputs and purchased products. Together, inflationary costs and price increases for raw material inputs during the six months were $61 million.

" Management's priorities continue to be to further improve returns, to complete Project Magnet and fully realise its benefits, and to continue to effectively integrate the acquired businesses of Smorgon Steel to deliver the expected level of benefits and synergies."

" For the remainder of the financial year domestic activity is likely to be at similar levels with strength in the mining, resources, non-residential and engineering construction segments, contrasting with softness in manufacturing and residential construction. The rural segment is likely to continue to be soft but with some improvement following recent rain.

" International prices for steel and steelmaking inputs have increased dramatically to historic highs in recent months. It is anticipated that prices will continue at high levels but with continued volatility.

" In terms of trading conditions there were unique factors that led to an increase in imports through 2007 and that suppressed the price of imports, adversely affecting margins. These factors appear to be abating and the trading environment is expected to improve through the second half.

" Management is satisfied with the guidance given at the Annual General Meeting that operating profit (EBITDA before restructuring costs and synergy benefits) will be in the range of $710 million to $780 million and strongly skewed towards the second half, " Geoff Plummer said.

The OneSteel Board declared an interim dividend of 8.0 cents per share fully franked. This compares with an 8.0 cent fully franked dividend paid for the six months to December 2006. The dividend is to be paid on 17 April 2008, with close of books on 7 March 2008. The DRP will operate for the interim dividend. No discount applies to the DRP. DRP election notices must be received at OneSteel's Share Registry by 5.00pm on 7 March 2008.

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FINANCIAL RATIOS
6 MONTHS TO 31 DECEMBER

$A millions	Dec-07[1]	Dec-06	% Change
Sales	3,218.3	2,134.3	50.8%
Other Revenue / Income	33.6	16.7	101.2%
Total Revenue / Income	3,251.9	2,151.0	51.2%
Gross Profit	713.7	468.8	52.2%
Operating EBITDA	288.4	218.0	32.3%
Depreciation & Amortisation (excl goodwill)	(70.4)	(48.1)	46.4%
Operating EBIT	218.0	169.9	28.3%
Finance costs	(67.0)	(26.3)	154.8%
Operating Earnings before tax	151.0	143.6	5.2%
Operating Tax expense	(42.3)	(39.2)	7.9%
Operating PAT before MI	108.7	104.4	4.1%
Minorities	(4.3)	(6.2)	(30.7%)
Net operating profit after tax	104.4	98.2	6.3%
Net profit after tax (statutory)	74.6	98.2	(24.0%)
Total Assets	6,954.0	3,375.3	106.0%
Inventory	1,305.7	888.8	46.9%
Total Liabilities	3,550.6	1,804.1	96.8%
Funds Employed	5,472.8	2,375.3	130.4%
Total Equity	3,403.4	1,571.2	116.6%
Net Debt incl Derivatives	2,069.4	804.1	157.4%
No of shares (at end of period)	872.9	570.4	53.1%
Operating cash flow	146.3	90.8	61.1%
Free Cash Flow excluding Magnet and restructuring	51.0	55.3	(7.8%)
Free Cash Flow	(14.7)	(86.2)	(83.0%)
Capital and investment expenditure	2,320.8	177.0	1211.2%
Operating Return on Assets (EBIT)	8.3%	10.4%	
Operating Return on Equity	8.6%	13.6%	
Operating Return on Funds Employed (ROFE)	11.0%	14.9%	
Operating EBIT to sales	6.8%	8.0%	
Operating Earnings Per Share (cents) - year end	12.0	17.2	(30.2%)
Dividends per share (cents)	8.0	8.0	0.0%
Dividend payout ratio (statutory)	94.0%	46.7%	
Dividend payout ratio	67.1%	46.7%	
Gearing (net debt / net debt + equity) incl derivative	37.8%	33.9%	
Gross Profit Margin	22.2%	22.0%	
Interest cover	3.3	6.5	
NTA per share ($)	1.25	2.26	(44.7%)
Employees	11,639	7,733	50.5%
Sales per employee ($000s)	277	276	0.4%
Cost increases*	61	58	
Cost reductions*	37	17	
Revenue enhancements*	12	48	
Raw steel production	1,357,847	877,819	54.7%
Steel tonnes despatched	1,563,923	1,143,329	36.8%
Domestic tonnes despatched	1,485,850	1,101,868	34.9%
Export tonnes despatched	65,486	41,461	58.0%
LTIFR - calendar 2007 versus calendar 2006*	1.1	0.9	22.2%
MTIFR - calendar 2007 versus calendar 2006*	7.4	9.8	(24.5%)

1. The December 2006 financials are presented on a statutory basis for the OneSteel Group as reported in February 2007. The December 2007 financials are presented on a statutory basis excluding the impact of restructuring costs and impairment of plant and equipment associated with the integration of Smorgon Steel. This includes the results of the Smorgon Steel group acquired from 20 August 2007.
* These outcomes for the six months to 31 December 2007 relate to the pre existing OneSteel businesses and do not include the Smorgon Steel businesses.

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