

ASX RELEASE

17 February 2009

Half Year Net Operating Profit \$215 million, up 131%¹ **Half Year Statutory Net Profit \$228 million, up 256%¹**

(ASX:OST) OneSteel Limited Managing Director and Chief Executive Officer, Geoff Plummer, announced today that the company had achieved a statutory net profit after tax of \$228 million for the six months ended 31 December 2008. The result represents an increase of 256% on the \$64 million statutory net profit after tax for the six months ended 31 December 2007¹.

Operating net profit after tax for the six months to 31 December 2008 was \$215 million, an increase of 131% from the \$93 million net operating profit after tax for the six months ended 31 December 2007¹. Operating net profit after tax excludes a tax consolidation benefit of \$15 million and a \$2 million restructuring and impairment charge, net of tax.

Operating earnings before interest and tax (EBIT) was \$401 million, an increase of 99% on the previous corresponding period¹.

The company said despite demand being affected by worsening global economic and financial conditions, particularly in the latter part of the half-year, the business overall had delivered a solid result for the six months ended 31 December 2008.

“We saw a strong start to the first-half of the year but it became increasingly apparent towards the end of the half that the impact of the global deterioration in financial and economic conditions on Australian demand was worse than anticipated. Both our Manufacturing and Distribution segments recorded strong results for the half, but the impact of the global financial crisis was felt hard in Australia particularly in November and December and our sales for these months were much weaker than anticipated”, Mr Plummer said.

The company advised weakening global conditions had the greatest impact on its Materials segment in the half with its iron ore and recycling businesses most exposed to international markets.

“Our iron ore business successfully achieved its volume target for the half despite a significant slowdown in Chinese steel production and demand for iron ore in the second quarter. Revenue was affected by much lower prices for spot iron ore sales compared to the record highs at the end of the 2008 financial year,” Mr Plummer said.

¹ The outcomes for the six months to 31 December 2007 have been restated to reflect the final fair value adjustments arising on acquisition of Smorgon Steel Group Limited in August 2007. The Smorgon Steel businesses have been included in the December 2007 financial information from the date of acquisition on 20 August 2007. Net operating profit excludes restructuring costs and impairment of plant and equipment associated with the integration of Smorgon Steel Group and Australian Tube Mills Pty Ltd.

“In our recycling business, both prices and volumes were adversely affected by substantially reduced global demand for both ferrous and non-ferrous scrap in the half-year. In addition to lower sales, the operating performance of the recycling business was affected by unfavourable foreign exchange movements and a charge of \$30 million resulting from the steep decline in prices for ferrous and non-ferrous scrap,” he said.

“A collapse in demand for both ferrous and non-ferrous scrap saw international prices fall 50% and 40%, respectively over the half. We took a conservative position with regard to stock valuation and now have the cost base well set to maximise the benefits for scrap trading over the remainder of the financial year,” Mr Plummer said.

STRATEGIC PRIORITIES

Despite the volatile environment, the company highlighted progress on its major growth initiative Project Magnet, the commercialisation of magnetite ore reserves and sales of hematite ore, and confirmed its aim to sell 5 million tonnes of hematite iron ore in the 2009 financial year.

“Project Magnet is continuing to deliver benefits to OneSteel shareholders, even at these lower prices. The additional revenue stream from increased volumes will be beneficial in the current environment, and into the future”, Mr Plummer said.

“Our aim remains at 5 million tonnes of hematite iron ore sales by the end of this financial year, though achieving this is somewhat contingent on the performance of global markets for the remainder of the financial year. Work to increase our iron ore sales capacity, reserves and resources under Project Magnet Phase 2 is also progressing well,” he said.

The company advised additional rail infrastructure is in place and the required crushing and screening capacity is on site; efforts to ramp up mining operations is underway and the company says it is well positioned to achieve sales of 6 million tonnes of iron ore per annum from next financial year. “Further work to determine the steps and costs for unlocking the next increment of capacity expansion is also continuing. Extension drilling and exploration work to increase iron ore reserves and resources has also continued during the half,” Mr Plummer said.

“Project Magnet Phase 2 is a key growth initiative for OneSteel and we are pleased that in a relatively short period of time, and at very little cost or risk, we can achieve a material increase in production capacity from 4 to 6 million tonnes”, he said.

The company also highlighted that it is on track to meet estimated net cost synergies of \$60 million for the 2009 financial year and a run rate of \$100 million by commencement of the 2010 financial year as a result of the integration of the former Smorgon Steel businesses.

“OneSteel has benefitted from the addition of new products, greater diversity and scope of operations, and significant reductions in its fixed costs which has led the

company to become more integrated and therefore more competitive in the external market as a result of the merger,” Mr Plummer said.

RESPONSE TO GLOBAL FINANCIAL CRISIS

The company introduced a number of ‘back to basics’ initiatives across the organisation to address implications from the deterioration of global economic and financial conditions and the impacts on the domestic market.

“Towards the end of the half-year we saw inventory levels rise due to weaker than expected sales. This was exacerbated by the arrival of imported products we had ordered earlier at a time of very strong demand to help meet our customer service objectives”, Mr Plummer said.

“We have taken substantial steps early to wind back production and bring inventory in line with demand. These steps and other ‘back to basics’ initiatives are expected to have flow on benefits for the company’s cash, working capital and debt positions in the second half,” Mr Plummer said.

In relation to production, the company advised in late January that it was extending adjustments to operating levels, particularly steel-making production to bring operating and inventory levels in line with demand as early as possible in the half. Adjustments were made at all major facilities, but most notably at Whyalla and the major electric arc furnaces at Laverton and Sydney. Current plans would see EAF steel make for March to June reduced by approximately 150 thousand tonnes, in addition to the 300 thousand tonnes announced in late January.

“In late January we announced that 92%, or \$458 million, of \$500 million in bi-lateral and syndicated loan facilities due to mature in 2009 had been re-financed. We continue to make good progress with the refinancing and added a further \$15 million to the syndicated loan facility this month. Work is continuing on other “current” refinancing initiatives”, Mr Plummer said.

In addition, the company expects to make additional aggressive cost reductions over the remainder of this financial year as part of its ‘back to basics’ initiatives.

“We believe our ‘back to basics’ strategies will leave us well prepared to weather the predicted ongoing downturn facing the Australian and international economies,” Mr Plummer said.

OUTLOOK

“We expect global and regional steel markets to continue to be weak with prices and demand suppressed until signs of an international recovery are clearer. However in our more internationally exposed Materials segment, there are encouraging signs that the market bottom has been passed, with prices for spot iron ore and scrap having moved off their recent lows. In our domestic markets, tight availability of credit and reduced confidence are key contributors to the lower activity levels”, Mr Plummer said.

“Over the longer term, the outlook appears more positive, with the fundamentals for our key market segments sound”, he said.

The current uncertainties in the international and domestic economies have led to a wide range in analysts earnings estimates² for the company of Net Operating Profit After Tax of \$259 million to \$448 million for the full year. The company currently expects Net Operating Profit After Tax to be between \$325 million to \$375 million for the full year, and is comfortable with the current consensus, which is around the middle of this range³. However, the final result remains subject to a number of factors outside the company’s control, including market conditions, international commodity and steel prices and foreign exchange fluctuations.

The OneSteel Board announced today a fully franked interim dividend of 6 cents per share, a decrease of 2 cents from the interim dividend last year. The Board believes reducing the dividend 2 cents appropriately reflects the interests of shareholders by balancing the need to consider balance sheet and earnings outcomes whilst maintaining its options when considering dividend at the end of the full financial year.

ENDS

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

The ASX Release forms part of a package of information about the company’s financial results and should be read in conjunction with the other 1H09 results materials including the Review of Operations, 1H09 Results Presentation and the Financial Report for the half-year ended 31 December 2008.

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² Analysts earnings estimates include: GoldmanSachsJBWere, Credit Suisse, Deutsche, JPMorgan, UBS, Citi, ABNAMro, Macquarie Research.

³ The company’s comment on the range is before any one-off costs that may be incurred in connection with cost reductions under its ‘back to basics’ initiatives and any impairment losses that may result in the full year.

FINANCIAL RATIOS

6 MONTHS TO 31 DECEMBER

	Dec-08 ² \$m	Dec-07 ¹ \$m	% Change
Sales	4,128	3,218	28%
Other Revenue/Income	48	34	41%
Total Revenue/Income	4,176	3,252	28%
Gross Profit	953	701	36%
Operating EBITDA	499	288	73%
Depreciation & Amortisation (excl goodwill)	(98)	(86)	14%
Operating EBIT	401	202	99%
Finance costs	(102)	(67)	52%
Operating Earnings before tax	299	135	121%
Operating Tax expense	(75)	(38)	97%
Operating PAT before MI	224	97	131%
Minorities	(9)	(4)	125%
Net operating profit after tax	215	93	131%
Net profit after tax (statutory)	228	64	256%
Total Assets	7,518	6,999	7%
Inventory	1,728	1,309	32%
Total Liabilities	3,864	3,636	6%
Funds Employed	5,924	5,348	11%
Total Equity	3,654	3,363	9%
Net Debt (statutory)	2,270	1,986	14%
Net Debt ⁴	2,330	2,078	12%
No of shares (at end of period)	880	873	1%
Operating cash flow	38	146	(74%)
Free Cash Flow excluding Magnet and restructuring costs	(57)	51	(212%)
Free Cash Flow	(65)	(15)	(333%)
Capital and investment expenditure	106	2,321	(95%)
Operating Return on Assets (EBIT)	10.8%	7.7%	3.1pts
Operating Return on Equity	12.7%	7.8%	4.9pts
Operating Return on Funds Employed (ROFE)	14.2%	10.4%	3.8pts
Operating EBIT to sales	9.7%	6.3%	3.4pts
Operating Earnings Per Share (cents) - year end	24.4	10.7	128%
Dividends per share (cents)	6.0	8.0	-2cents
Dividend payout ratio (statutory)	23.2%	110.2%	-87pts
Dividend payout ratio	24.6%	75.1%	-50.5pts
Gearing (net debt/net debt + equity) (statutory)	38.3%	36.2%	2.1pts
Gearing (net debt/net debt + equity) ⁴	38.9%	38.2%	0.7pts
Gross Profit Margin	23.1%	21.8%	1.3pts
Interest cover (times)	3.9	3.0	0.9times
Net tangible assets per share (\$)	1.65	1.38	20%
Employees	11,743	11,639	1%
Sales per employee (\$000s)	351	277	27%
Cost increases ³	362	61	
Cost reductions ³	15	37	
Revenue enhancements ³	770	12	
Raw steel production	1,246,895	1,357,847	(8%)
Steel tonnes despatched	1,585,948	1,563,923	1%
Domestic tonnes despatched	1,421,666	1,485,850	(4%)
Export tonnes despatched	164,282	65,486	151%

1. The December 2008 operating 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 and the tax benefit arising on finalisation of tax consolidation values.

2. The results for the six months to December 2007 have been restated to reflect the final fair value adjustments arising on acquisition of Smorgon Steel Group Limited in August 2007. They exclude restructuring costs and impairment of plant and equipment associated with the integration of Smorgon Steel Group and Australian Tube Mills Pty Ltd. The Smorgon Steel businesses have been included in the December 2007 financial information from the date of acquisition on 20 August 2007.

3. These outcomes for the six months to December 2007 do not include the Smorgon Steel Group acquired on 20 August 2007.

4. Net debt includes derivatives designated in a qualifying hedge relationship against interest bearing liabilities.

REVIEW OF OPERATIONS

SIX MONTHS TO 31 DECEMBER 2008

KEY POINTS

- Statutory net profit after tax of \$228 million
- Net operating profit after tax of \$215 million
- Good progress on refinancing 2009 maturing debt
- Operating EBIT of \$401 million
- Margin recovery in Manufacturing and Distribution segments
- November and December steel sales much weaker than expected due to impact of weaker global conditions
- Materials segment most affected by deterioration in global conditions due to their international exposure
- Iron ore sales volumes on track to meet FY09 aim of 5 million tonnes
- Project Magnet Phase 2 progressing well
 - On track to achieve 6 million tonnes pa by the start of FY10
 - Well progressed on infrastructure analysis for further capacity expansion
 - Commenced extension drilling and exploration work
- Remain on track to deliver net synergy benefits of \$60 million for FY09 and \$100 million run rate by start of FY10
- Statutory gearing of 38.3% remains in our target range of 30% - 40%
- Operating earnings per share 24.4 cents
- Operating return on funds employed 14.2%,
- Operating cash flow \$38 million – adversely affected by run up in inventory
- Dividend 6 cents reflecting prudent capital management
- Steel production of 1,246,895 tonnes – production slowed towards to end of half to match demand and adjust inventory levels

FINANCIAL OVERVIEW - 6 months to 31 December 2008	\$m	1HO8 (RESTATE ¹)
Sales revenue	4,128	▲ 28% from \$3,218m
Earnings before interest, tax, depreciation & amortisation (EBITDA)	499	▲ 73% from \$288m
Statutory earnings before interest, tax, depreciation & amortisation (EBITDA)	494	▲ 93% from \$256m
Depreciation & amortisation (excluding Goodwill)	98	▲ 14% from \$86m
Reversal of (impairment on) plant & equipment	2	▼ from (\$5m)
Earnings before interest and tax (EBIT)	401	▲ 99% from \$202m ²
Statutory earnings before interest and tax (EBIT)	397	▲ 141% from \$165m
Finance costs	102	▲ 52% from \$67m
Net operating profit after tax and minorities (NPAT)	215	▲ 131% from \$93m ²
Statutory net profit after tax and minorities (NPAT)	228	▲ 256% from \$64m
Earnings per share (EPS) based on the number of shares at end of period	24.4 cents	▲ 128% from 10.7cents ²
Operating cash flow	38	▼ 74% from \$146m
Return on funds employed (ROFE)	14.2%	▲ from 10.4% ²
Return on equity (ROE)	12.7%	▲ from 7.8% ²
Satutory gearing (net debt/net debt + equity)	38.3%	▲ from 36.2%
Net debt (Statutory)	2,270	▲ 14% from \$1,986m
Interim dividend per share, fully franked	6 cents	▼ from 8 cents

OPERATIONAL OVERVIEW - 6 months to 31 December 2008	mt	1HO8 (RESTATE ¹)
Total Australian steel tonnes despatched	1.58	▼ from 1.59mt
<ul style="list-style-type: none"> • Domestic tonnes despatched • Export tonnes despatched 	1.42	▼ from 1.44mt
	0.16	▲ from 0.15mt

¹ The outcomes for the six months to 31 December 2007 have been restated to reflect the final fair value adjustments arising on acquisition of Smorgon Steel Group Limited in August 2007. The Smorgon Steel businesses have been included in the December 2007 financial information from the date of acquisition on 20 August 2007.

² Excludes restructuring costs and impairment of plant and equipment associated with the integration of Smorgon Steel Group and Australian Tube Mills Pty Ltd.

OPERATIONAL OVERVIEW - 6 months to 31 December 2008	mt	1H08 (RESTATED)
Adjusted domestic tonnes despatched	1.52	▼ from 1.55mt
Iron ore tonnes sold	2.18	▲ from 1.89mt
Other iron units sold	0.36	▲ from 0.34mt
Recycled Metals – Ferrous tonnes sold	0.87	Significant deterioration in market conditions
Recycled Metals – Non-ferrous tonnes sold	0.08	
Staff numbers	11,743	▲ 1% from 11,639
• Sales per staff member	\$351,000	▲ 27% from \$277,000
Safety Performance per MTIFR		
• Medical Treatment Injury Frequency Rate	8.6	▲ from 7.4 ³
• Lost Time Injury Frequency Rate	1.4	▲ from 1.1 ³

COMPANY OVERVIEW

Sales revenue for the six months to 31 December 2008 increased 28% to \$4128 million reflecting the inclusion of the former Smorgon Steel businesses for the full six months ended 31 December 2008. Higher prices and volumes in the Manufacturing and Distributions businesses and increased iron ore sales volumes and prices also contributed to the uplift.

Australian steel tonne despatches decreased marginally to 1.58mt from 1.59mt in the prior period as production eased on the back of lower demand and customers began destocking inventory levels. Production was running at or near record levels to meet very strong demand for the majority of the first half, but was slowed late in the half to address the impact of weaker global economic and financial conditions on domestic demand.

Iron ore sales for the first half increased to 2.18 million tonnes from 1.89 million tonnes in the prior corresponding period due to increased production capacity under Project Magnet.

Recycled metal sales for the half were 0.95 million tonnes. This includes 0.87 million tonnes of ferrous and 0.08 million tonnes of non-ferrous materials. Sales volumes were considerably lower for the first half of the year compared to the same half last year due to a rapid collapse in demand. Sales prices also collapsed during the first half compared to record high prices at the end of the 2008 financial year, but prices for ferrous scrap were on average 48% higher compared to the prior corresponding period.

Operating earnings before interest, tax, depreciation and amortisation (EBITDA) was \$499 million for the six months to 31 December 2008, an increase of 73% over the previous corresponding period ended 31 December 2007 due largely to increased sales and improved margins in the Manufacturing and Distribution businesses.

Finance costs were \$102 million, up from \$67 million in the prior period due to an increase in the level of debt and higher interest rates. The previous corresponding half excluded \$11 million interest capitalised as part of Project Magnet.

The **sales margin** increased from 6.3% in the previous first half to 9.7% for the six months ended 31 December 2008 due to higher margins in the Manufacturing and Distribution businesses.

Operating net profit after tax and minorities increased to \$215 million for the six months ended 31 December 2008 from \$93 million for the prior corresponding period. This is equivalent to 24.4 cents a share, an increase of 128% on the prior period. Statutory net profit after tax increased to \$228 million for the six months ended 31 December 2008 from \$64 million in the previous corresponding period. Statutory earnings per share for the half-year was 26.0 cents per share, an increase of 223% on the same half last year.

The **effective tax rate** of 20% was largely attributable to the impact of a tax consolidation benefit of \$15 million, claimable research and development expenditure and carry forward utilisation of capital losses.

³ These outcomes for the six months to 31 December 2007 do not include the results from the Smorgon Steel Group acquired on 20 August 2007.

SEGMENT OVERVIEW

MATERIALS segment revenue was \$978 million, an increase of 29% on the previous corresponding period driven by increased iron ore sales volumes and prices, and higher ferrous recycled metal prices, partly offset by lower sales of ferrous and non-ferrous recycled metal. External iron ore sales were 2.18 million tonnes for the half, up from 1.89 million tonnes for prior corresponding period and in line with the businesses schedule for reaching sales of 5 million tonnes for the 2009 financial year. Sales in the recycling business were significantly impacted by a collapse in global demand for both ferrous and non-ferrous recycled metal during the first half of this year. EBIT decreased 62% to \$35 million, largely due to a much weaker operating performance in the recycling business. The rapid decline in global demand and prices led to the recycling business recording a loss on inventory of approximately \$30 million in the half. This loss, together with lower sales and the adverse impact of unfavourable foreign exchange movements led the recycling business to record an EBIT loss for six months ended 31 December 2008.

MANUFACTURING segment revenue increased 41% to \$1,878 million as a result of higher prices, partly offset by a decrease in sales volumes from 1.29 million tonnes for the first half of the prior year to 1.18 million tonnes for the first half ended 31 December 2008. The decrease in sales volumes was due to significantly weaker demand in November and December due to the impact of weaker global financial and economic conditions and led to reduced production towards the end of the half to bring inventory levels and production in line with the softer demand.

EBIT increased 248% to \$202 million for the first half due to the restoration of margins resulting mainly from higher prices, which had lagged increases in input costs in the prior period. The sales margin of 10.8% was a substantial improvement on the sales margin for the prior corresponding period of 4.4%, due mainly to recovery of margins.

DISTRIBUTION revenue increased 36% to \$2,085 million for the six months ended 31 December 2008, principally due to a strong start in the first-half with higher prices and margins. A lower Australian dollar and tight credit availability improved our competitive position against imports particularly in the second quarter, partly offsetting weakening domestic demand. The Distribution segment also benefitted from two one-off sales in the first-half including a small parcel of land near Wollongong and a trademark in the Pipe and Tube business.

Domestic steel despatches from the Distribution segment increased 2% to 0.90 million tonnes for the first half compared to the same half in the prior year.

EBIT increased 221% to \$185 million for the half mainly as a result of higher prices and improved margins. The sales margin improved from 3.7% in the prior corresponding period to 8.8%.

The International Distribution segment has been re-named **NEW ZEALAND DISTRIBUTION**. Revenue for the New Zealand Distribution business increased 7% for the six months ended 31 December 2008 to \$230 million, up from \$215 million in the prior corresponding period due to the impact of higher prices. EBIT increased 83% to \$29 million due to higher margins and the sales margin improved substantially to 12.6% for the first half.

OneSteel's **staffing levels** increased marginally to 11,743 from 11,639 in the previous corresponding period. A number of initiatives to reduce employment costs were introduced late in the first-half and included scaling back short-term contracts and casual employees, easing production and re-deploying full-time employees to other areas of the business and reducing the amount of overtime and annual leave.

Operating cash flow for the six months to 31 December 2008 was \$38 million, a decrease of 74% from \$146 million reported in the prior corresponding period, reflecting higher inventory levels across the business.

Inventories increased 31% to \$1.7 billion, from \$1.3 billion at 31 December 2007 due to softer sales volumes as the market responded to the impact of the global economic and financial crisis.

Excluding acquisition of the Smorgon Steel Group and the Fagersta investment **Capital and investment expenditure** decreased 35% from \$164 million for the previous corresponding period ended 31 December 2007 to \$106 million for the period ended 31 December 2008.

Financial Gearing was 38.3% as at 31 December 2008, slightly up compared to the position at 31 December 2007 due mainly to the impact of weak sales in November and December on cash and inventory levels.

Interest Cover was 3.9 times compared to 3.0 times for the prior corresponding period ended 31 December 2007.

The interim dividend was declared at 6 cents, a decrease of 2 cents on the prior corresponding period ended 31 December 2007. The Board believes an interim dividend at this level is prudent capital management in the current environment.

KEY INITIATIVES FOR GROWTH

Project Magnet – has focussed on the commercialisation of OneSteel's magnetite iron ore reserves for producing steel and the sale of hematite ore to global markets. Sales volumes of hematite iron ore continued to increase over the first half as the supply chain optimisation work was further ramped up in line with management's expectations.

Project Magnet Phase 2 – in February last 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 and resources.

The first stream of this new work was aimed at lifting sales of iron ore through improving OneSteel's operational and supply chain capability. This included reviewing all operational and supply chain aspects including mining, handling, crushing and screening, rail, warehousing and barging. The company advised today that it now has the additional rail infrastructure in place and the required crushing and screening capacity on site and is in the process of ramping up mining operations to be able to achieve 6 million tonnes for the 2010 financial year. Further work to determine the next steps and costs for unlocking the next increment of capacity expansion is progressing.

The second stream of the new work is focussed on increasing reserves and resources. The first phase of this work involves updating mine plans using appropriate assumptions and has initially resulted in a further 13 million tonnes of hematite ore being added to our reserves. Regulatory approval to mine the additional reserve has progressed well. We are now actively pursuing mine extension and exploration work, with extension drilling now underway at the Iron Chieftain, the Iron Princess and Iron Prince sites. Approximately \$5 million has been invested in extension drilling in the first half.

Smorgon Steel Group merged with OneSteel on 20 August 2007. The company recorded \$41 million of synergy benefits in the 2008 financial year and is on track to meet its target of net \$60 million for the 2009 financial year and reach a run rate of \$100 million by commencement of the 2010 financial year.

OUTLOOK

In the short-term, we expect global and regional steel markets to continue to be weak with prices and demand suppressed until signs of an international recovery are clearer. However in our more internationally exposed Materials segment, there are encouraging signs that the market bottom has been passed with prices for spot iron ore and scrap having moved off their low points. In our key domestic markets, weak activity is expected over the remainder of this fiscal year and into the next fiscal year.

We are encouraged by state and Federal government stimulus initiatives to invest in infrastructure and boost residential and non-residential building activity. However, it is too early to determine the timing of benefits from these initiatives. Improvements in availability of credit and confidence are key to any significant lift in activity.

In the rural and resources segments the impact of lower international prices is expected to be offset by the favourable impact of the lower Australian dollar.

Over the medium to longer term, the outlook appears more positive, with the fundamentals in our key market segments sound.

Management's priorities continue to be implementing its 'back to basics' initiatives through an increased focus on cash, cost reductions and production and inventory management to ensure the company remains positioned to weather the impact of weaker global economic and financial conditions, as well as improving returns from existing businesses, delivering full net synergy benefits from the Smorgon Steel transaction, realising the long term benefits from Project Magnet and pursuing opportunities with Project Magnet Phase 2.



Geoff Plummer
Managing Director &
Chief Executive Officer
OneSteel Limited
17 February 20

MATERIALS				MANUFACTURING			
	1H09	1H08 ¹	%		1H09	1H08 ¹	%
Revenue	\$978m	\$757m	29	Revenue	\$1878m	\$1333m	41
EBITDA	\$55m	\$98m	-44	EBITDA	\$250m	\$105m	138
EBIT	\$35m	\$91m	-62	EBIT	\$202m	\$58m	248
Assets	\$1,394m	\$1,308m	7	Assets	\$3212m	\$3,037m	6
Employees	1347	1316	2	Employees	4206	4209	-
Sales Margin	3.5%	12%	-8.5pts	Sales Margin	10.8%	4.4%	6.4pts
Funds Emp.	\$1,149m	\$1,088m	6	Funds Emp.	\$2648m	\$2431m	9
ROFE	6.1%	16.7%	-10.6 pts	ROFE	16%	6%	10pts

Market Conditions –

The **Recycling** business experienced unprecedented market conditions in the first half. The impact of the global financial crisis led to the collapse of commodity prices and demand. The international ferrous market experienced a fall in prices of over 50% and a collapse in prices, particularly in the 2nd quarter. The conditions were unprecedented in that the collapse in demand was accompanied by virtually no demand. Non-ferrous markets also collapsed with all commodities trading at record lows with weak demand leading to the inability to move product. Tight credit availability also made trading conditions difficult as both small and large customers worked through their ability to fund on-going orders. In the **iron ore** business demand from China weakened in the 2nd quarter due to the combined impact of the global deterioration in market conditions on demand for steel and Chinese government initiatives to slow growth. This resulted in a significant build up of iron ore stock piles in China, a substantial reduction in spot iron ore prices and many Chinese steel mills seeking to cancel or defer orders.

Performance

In the **recycling** business the global financial crisis impacted commodity prices and demand since September 2008, this resulted in lower sales volumes and some renegotiated contracts. The US market conditions became very difficult from around October with the business deciding to continue to trade material rather than trying to hold inventory until a market recovery. The business recorded an inventory loss in the half of \$30 million and this together with the impact of reduced volumes and prices and unfavourable exchange rate movements resulted in an EBIT loss for the half. The **iron ore** business sales volumes increased as the supply chain optimisation work continued to ramp up in line with expectations. Despite reduced Chinese demand, the business successfully focussed on maintaining its sales volume targets achieving 2.18 million tonnes for the half year. In focussing on maintaining volume targets the business moved two November scheduled contracts shipments to the second half and replaced them with spot sales. Sales revenue for the half compared to management expectations was affected by materially lower spot sales prices, replacement of the two contract sales with spot sales and a preference from customers to take iron ore fines rather than lump in the 2nd quarter.

Initiatives – In the **recycling** business immediate action was taken to reduce operating costs to reflect lower volumes. This included closing some operations for extended periods. In the iron ore business **Project Magnet Phase 2** is progressing well with the rail, crushing and screening equipment in place to meet the company's aim of capacity to sell 6mt by the start of FY10.

Outlook – In the **recycling** business markets are likely to remain volatile in the near term. The business is able to trade profitably in the near term and is well positioned to take full advantage of any market rebound. The **iron ore** business remains on track to achieve sales of 5 million tonnes for the full year. Despite recent signs of improved demand and prices in China, risk remains over achieving 2008 contract prices for all contract shipments and lump premium for spot sales not expected to improve in the second half.

Market Conditions-

Demand for construction steel products was strong for the majority of the half but demand softened towards the end of the half as end users moved to reduce inventory levels and as market activity slowed due to the impact of the deterioration in global financial conditions. Demand for rail products was steady, although late in the half some customers sought to defer sales to the second half of the financial year.

Performance

Margins improved substantially due to higher prices and the impact of the lag between movements in input costs and the pass through to prices.

Whyalla Steelworks: Weakening market demand particularly towards the end of the half resulted in lower steel volumes, but prices improved across most structurals and rail products.

Laverton and Sydney Electric Arc Furnace

Production levels were at or near record levels early in the half but production was significantly reduced at the end of the half to help reduce inventory levels and bring them in line market demand.

Rod, Bar and Wire

In the first quarter higher priced scrap and sustained high prices together with strong demand were features of a strong market. In the second quarter demand slowed towards the end of the half resulting in lower sales volumes. A strong operating performance was driven by higher prices and the recovery of margins from the earlier increase in scrap costs.

Grinding Media

Demand was initially strong but late in the half volumes eased in Australian and overseas as the impact of slowing economies resulted in an increasing number of mine closures and reduced mine production.

Rail and Forge

Volumes were steady despite slowing markets. Production was eased at the end of the half to keep inventory in line with demand.

Initiatives

Initiatives have been introduced to reduce both costs and production to bring inventory and operating levels in line with demand. Work continued to complete closures of the Newcastle Bar Mill in February 2009 and the Martin Bright site in Victoria in December 2008.

Outlook

The short-term outlook is for soft demand resulting from the impact of weaker global conditions to continue.

DISTRIBUTION				NEW ZEALAND DISTRIBUTION			
	1H09	1H08 ¹	%		1H09	1H08	%
Revenue	\$2,085m	\$1,539m	35	Revenue	\$230m	\$215m	7
EBITDA	\$209m	\$88m	138	EBITDA	\$32m	\$18m	78
EBIT	\$185m	\$57m	225	EBIT	\$29m	\$16m	81
Assets	\$2,584m	\$2,378m	9	Assets	\$246m	\$210m	17
Employees	4805	4728	2	Employees	837	859	-3
Sales Margin	8.8%	3.7%	5.1pts	Sales Margin	12.6%	7.4%	5.2pts
Funds Emp.	\$1,987m	\$1,772m	12	Funds Emp.	\$212m	\$181m	17
ROFE	19.1%	8.9%	10.2pts	ROFE	29.7%	17.2%	12.5pts

Market Conditions – Conditions declined towards the end of the half as the deterioration in global financial and economic conditions led to project deferrals and cancellations, and a general softening in domestic activity. Import competition eased during the half with supplier allocations in the first quarter and the devaluation of the Australian dollar in the second quarter and tight credit being issues for importers.

Performance – The improved performance in the first half was due to higher margins resulting from the successful increase in prices to recover higher input costs.

Metaland was steady with weaker conditions late in the half. The business acquired two new sites in the period and is focussed on further improving margins with an emphasis on supply chain management.

Sheet, Coil and Aluminium experienced margin pressure as competitors fought for market share in a declining market. **Steel and Tube** production eased in some areas but the devaluation of the Australian dollar in the period helped improve its competitive position against imports.

Piping systems delivered good volume in the half on the back of large projects in Queensland and Western Australia. **Steel-in-concrete** operating performance improved due to higher prices and improved margins including a significant improved performance in the former Smorgon reinforcing business now branded ARC. **Pipe and Tube** was impacted by reduced demand as the channel destocked late in the second half.

Initiatives – A number of initiatives were introduced across the business to reduce costs and improve inventory levels and pricing. Strategies to improve margins across products remain in place.

Outlook – The business anticipates continued weakness in demand over the short term.

The International Distribution business segment has been renamed **New Zealand Distribution**.

Market Conditions – The business experienced a strong start to the 2009 financial year. Demand slowed considerably in November and December as New Zealand felt the impact of the slowing global economy.

Performance – Sales increased 7% above the previous period to the end of December 2007. Margins improved due to the impact of higher steel prices.

Distribution - Strong sales in the latter part of the half contributed to a solid result with the Piping business benefitting from a number of major projects. Inventory levels peaked in December but are expected to decline gradually into the second half of the 2009 financial year.

Manufacturing - Both volume and prices fell towards the end of 2008 resulting in margin pressure. A lack of available funding from credit markets impacted a number of commercial projects and an unwillingness to commit to supply prevailed.

Initiatives - The business remains focussed on maximising its trading opportunities to minimise the full impact of imported, lower-priced stock. The level of domestic stock and the lower NZ dollar have provided some insulation from the full effect of lower priced imports.

Outlook - Trading conditions in New Zealand are expected to remain under pressure for the remainder of FY09 with improvement into FY10. The outlook for commercial and infrastructure projects in New Zealand is expected to improve in 2010.

FINANCIAL SUMMARY

PROFIT & LOSS SUMMARY (Statutory) 6 months ended	2008	2007 ⁽²⁾	2006	2005	2004 ⁽¹⁾	2003 ⁽¹⁾	2002 ⁽¹⁾	2001 ⁽¹⁾	% Chg 08/07
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Revenue/Income	4,175.5	3,251.9	2,151.0	2,005.1	1,908.0	1,602.1	1,539.0	1,510.0	28.4
Revenue before interest, tax, depreciation and amortisation (EBITDA)	493.6	256.4	218.0	203.5	173.7	146.9	168.2	125.6	92.5
Depreciation/Amortisation (excl goodwill)	(96.2)	(91.1)	(48.1)	(47.4)	(45.0)	(43.1)	(43.3)	(43.4)	5.6
Earnings before Interest and Tax (EBIT)	397.4	165.3	169.9	156.1	128.7	103.8	124.9	82.2	140.4
Finance costs	(101.6)	(67.0)	(26.3)	(29.4)	(23.9)	(20.8)	(22.9)	(30.6)	51.6
Earnings before Tax (EBT)	295.8	98.3	143.6	126.7	104.8	83.0	102.0	51.6	200.9
Tax Expense	(58.8)	(30.4)	(39.2)	(34.5)	(25.5)	(22.0)	(32.5)	(19.1)	93.4
Operating Profit After Tax (PAT)	237.0	67.9	104.4	92.2	79.3	61.0	69.5	32.5	249.0
Minority interests	(8.7)	(4.3)	(6.2)	(8.1)	(9.0)	(5.2)	(4.7)	(3.6)	102.3
Net Operating Profit Attributable to OneSteel (NOPAT)	228.3	63.6	98.2	84.1	70.3	55.8	64.8	28.9	259.0

CASH FLOW SUMMARY 6 months ended	2008	2007 ⁽²⁾	2006	2005	2004 ⁽¹⁾	2003 ⁽¹⁾	2002 ⁽¹⁾	2001 ⁽¹⁾
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Earnings before tax adjusted for non-cash items	273.6	111.2	141.2	126.9	103.8	75.4	102.0	50.3
Depreciation / Amortisation (excl goodwill)	96.2	91.1	48.1	47.4	45.0	43.1	43.3	43.4
Capital & investment expenditure	(105.5)	(585.8)	(177.0)	(114.9)	(63.6)	(45.0)	(26.4)	(22.1)
Working capital movements	(259.3)	(0.9)	(57.7)	(47.6)	(68.5)	(48.8)	(30.1)	(83.3)
Income tax payments	(72.9)	(55.2)	(40.8)	(33.0)	(24.2)	(13.7)	(6.1)	(9.4)
Asset sales	32.3	1.0	3.9	0.5	3.6	5.0	2.6	31.0
Other	-	-	(0.4)	1.9	0.7	6.0	(9.2)	66.6
Operating and investing cash flows	(35.6)	(438.6)	(82.7)	(18.8)	(3.2)	22.0	76.1	76.5
Dividends paid	(122.2)	(96.7)	(63.3)	(48.8)	(45.1)	(41.1)	(22.6)	(18.9)
Capital movements	17.5	22.4	17.4	8.9	8.3	9.6	5.4	66.2
Total Cash Flow	(140.3)	(512.9)	(128.6)	(58.7)	(40.0)	(9.5)	58.9	123.8

BALANCE SHEET As at 31 December	2008	2007 ⁽²⁾	2006	2005	2004 ⁽¹⁾	2003 ⁽¹⁾	2002 ⁽¹⁾	2001 ⁽¹⁾
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Cash	29.8	84.2	20.8	37.0	12.9	14.5	25.3	26.9
Receivables	851.3	925.2	605.3	559.0	517.4	437.8	390.6	378.5
Inventory	1,727.7	1,308.5	888.8	840.2	758.8	646.5	626.0	608.0
Property, plant and equipment	2,395.5	2,322.3	1,460.3	1,250.6	1,088.7	1,153.5	1,143.6	1,179.3
Mine Development Expenditures	97.7	75.0	67.0	51.6	-	-	-	-
Other Assets	2,415.9	2,284.0	333.1	319.9	370.3	357.3	417.4	432.7
TOTAL ASSETS	7,517.9	6,999.2	3,375.3	3,058.3	2,748.1	2,609.6	2,602.9	2,625.4
Borrowings (including derivatives)	2,359.4	2,177.7	831.5	744.4	521.9	511.4	537.9	649.1
Creditors	859.4	887.2	588.4	503.8	601.0	455.9	419.3	403.6
Provisions	645.4	571.5	384.2	371.7	343.0	338.2	374.6	372.0
TOTAL LIABILITIES	3,864.2	3,636.4	1,804.1	1,619.9	1,465.9	1,305.5	1,331.8	1,424.7
NET ASSETS	3,653.7	3,362.8	1,571.2	1,438.4	1,282.2	1,304.1	1,271.1	1,200.7
Contributed equity	2,949.5	2,913.6	1,143.4	1,118.2	1,102.3	1,089.3	1,072.0	1,063.1
Minority interests	65.6	60.7	61.6	64.0	59.7	51.5	57.6	48.9
Retained earnings / Reserves	638.6	388.5	366.2	256.2	120.2	163.3	141.5	88.7
TOTAL EQUITY	3,653.7	3,362.8	1,571.2	1,438.4	1,282.2	1,304.1	1,271.1	1,200.7

(1) The financial information presented for the years 2001 - 2004 has been presented under previous AGAAP and has not been restated under Australian Equivalents to International Financial Reporting Standards (AIFRS). The nature of the main adjustments to make the information comply with AIFRS include:

- recognition of additional provisions relating to rehabilitation and make good;
- restatement of deferred tax balances using the balance sheet method;
- recognition of the deficit in the defined benefits superannuation fund;
- consolidation of the employee share plan trust; and
- recognition of derivative financial instruments on balance sheet at fair value and application of hedge accounting.

Note that the financial information presented for the years 2001 - 2004 has been adjusted to exclude goodwill amortisation from earnings.

(2) The results for the six months to December 2007 have been restated to reflect the final fair value adjustments arising on acquisition of Smorgon Steel Group Limited in August 2007. The Smorgon Steel businesses have been included in the December 2007 financial information from the date of acquisition on 20 August 2007.

SEGMENTS 31-Dec-08	Revenue/Income			EBITDA			EBIT			Assets		
	2008	2007	% Chg	2008	2007	% Chg	2008	2007	% Chg	2008	2007	% Chg
	\$m	\$m		\$m	\$m		\$m	\$m		\$m	\$m	
Materials	977.6	756.9	29.2	54.5	98.3	(44.6)	34.5	90.6	(61.9)	1,393.8	1,307.9	6.6
Manufacturing	1,878.3	1,332.6	41.0	250.2	104.8	138.7	202.3	58.1	248.2	3,212.2	3,036.9	5.8
Distribution	2,085.1	1,538.9	35.5	209.2	87.6	138.8	184.5	57.4	221.4	2,584.0	2,378.4	8.6
New Zealand Distribution	229.8	214.8	7.0	31.7	18.4	72.3	28.9	15.8	82.9	246.4	210.1	17.3
Corporate/Unallocated	7.1	9.7	(26.8)	(29.7)	(13.4)	121.6	(32.3)	(17.3)	86.7	195.0	207.3	(5.9)
Intersegment eliminations	(1,002.4)	(601.0)	66.8	(17.4)	(7.3)	138.4	(17.4)	(7.3)	138.4	(113.5)	(141.4)	(19.7)
TOTAL ONESTEEL GROUP	4,175.5	3,251.9	28.4	498.5	288.4	72.9	400.5	197.3	103.0	7,517.9	6,999.2	7.4

SEGMENTS 31-Dec-08	Materials			Manufacturing			Distribution			New Zealand Distribution		
	2008	2007	% Chg	2008	2007	% Chg	2008	2007	% Chg	2008	2007	% Chg
	\$m	\$m		\$m	\$m		\$m	\$m		\$m	\$m	
Revenue/Income	977.6	756.9	29.2	1,878.3	1,332.6	41.0	2,085.1	1,538.9	35.5	229.8	214.8	7.0
EBITDA	54.5	98.3	(44.6)	250.2	104.8	138.7	209.2	87.6	138.8	31.7	18.4	72.3
EBIT	34.5	90.6	(61.9)	202.3	58.1	248.2	184.5	57.4	221.4	28.9	15.8	82.9
Assets	1,393.8	1,307.9	6.6	3,212.2	3,036.9	5.8	2,584.0	2,378.4	8.6	246.4	210.1	17.3
Employees	1,347	1,316	2.4	4,206	4,209	(0.1)	4,805	4,728	1.6	837	859	(2.6)
Sales Margin (EBIT)	3.5%	12.0%	-8.5pts	10.8%	4.4%	6.4pts	8.8%	3.7%	5.1pts	12.6%	7.4%	5.2pts
Funds Employed	1,148.6	1,087.7	5.6	2,647.9	2,431.4	8.9	1,987.1	1,772.0	11.1%	212.3	181.1	17.2
ROFE	6.1%	16.7%	-10.6pts	16.0%	6.0%	10pts	19.1%	8.9%	10.2pts	29.7%	17.2%	12.5pts

The results for the six months to December 2007 have been restated to reflect the final fair value adjustments arising on acquisition of Smorgon Steel Group Limited in August 2007. They exclude restructuring costs and impairment of plant and equipment associated with the integration of Smorgon Steel Group and Australian Tube Mills Pty Ltd. The Smorgon Steel businesses have been included in the December 2007 financial information from the date of acquisition on 20 August 2007.

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FINANCIAL RATIOS
6 MONTHS ENDED

SA millions	Restated		Previous AGAAP													% Change 08/07		
	Dec-08 ¹	Jun-08 ²	Dec-07 ²	Jun-07 ³	Dec-06	Jun-06 ⁴	Dec-05	Jun-05 ⁵	Dec-04	Jun-04 ⁶	Dec-03	Jun-03	Dec-02	Jun-02	Dec-01		Jun-01	Dec-00
Sales	4,127.6	4,216.0	3,218.3	2,166.3	2,134.3	2,015.8	1,988.8	2,048.0	1,890.5	1,702.5	1,566.7	1,535.6	1,525.0	1,432.8	1,473.2	1,370.7	1,267.0	28.3%
Other Revenue/Income	47.9	16.9	33.6	17.2	16.7	22.7	16.3	17.1	17.5	34.7	35.4	25.5	14.0	43.7	36.8	129.0	12.5	42.6%
Total Revenue/Income	4,175.5	4,232.9	3,251.9	2,183.5	2,151.0	2,038.5	2,005.1	2,065.1	1,908.0	1,737.2	1,602.1	1,561.1	1,539.0	1,476.5	1,510.0	1,499.7	1,279.5	28.4%
Gross Profit	952.9	980.4	700.8	368.4	468.8	366.4	432.3	379.4	407.6	326.6	316.0	285.1	341.1	257.8	270.6	249.1	240.5	36.0%
Operating EBITDA	498.5	519.3	288.4	218.1	218.0	193.2	203.5	203.4	173.7	177.3	146.9	139.4	168.2	125.4	125.6	91.0	111.6	72.9%
Depreciation & Amortisation	(98.0)	(108.8)	(86.1)	(48.1)	(48.1)	(46.6)	(47.4)	(52.5)	(45.0)	(44.0)	(43.1)	(43.2)	(43.3)	(40.8)	(43.4)	(41.0)	(41.0)	13.8%
Operating EBIT	400.5	410.5	202.3	170.0	169.9	146.6	156.1	150.9	128.7	133.3	103.8	96.2	124.9	84.6	82.2	47.8	70.6	98.0%
Finance costs	(101.6)	(92.6)	(67.0)	(29.5)	(26.3)	(27.3)	(29.4)	(29.7)	(23.9)	(21.4)	(20.8)	(21.6)	(22.9)	(23.8)	(30.6)	(32.2)	(29.6)	51.6%
Operating Earnings before tax (EBT)	298.9	317.9	135.3	140.5	143.6	119.3	126.7	121.2	104.8	111.9	83.0	74.6	102.0	60.8	51.6	15.6	41.0	120.9%
Operating Tax expense	(75.1)	(90.4)	(37.6)	(35.5)	(39.2)	(26.3)	(34.5)	(29.9)	(25.5)	(31.4)	(22.0)	(20.8)	(32.5)	(19.9)	(19.1)	(0.1)	(12.0)	99.7%
Operating PAT before MI	223.8	227.5	97.7	105.0	104.4	93.0	92.2	91.3	79.3	80.5	61.0	53.8	69.5	40.9	32.5	15.5	29.0	129.1%
Minorities	(8.7)	(5.9)	(4.3)	(5.7)	(6.2)	(5.5)	(8.1)	(8.5)	(9.0)	(7.2)	(5.2)	(4.8)	(4.7)	(3.8)	(3.6)	(3.3)	(2.6)	102.3%
Operating PAT	215.1	221.6	93.4	99.3	98.2	87.5	84.1	82.8	70.3	73.3	55.8	49.0	64.8	37.1	28.9	12.2	26.4	130.3%
Net Profit after Tax (statutory)	228.3	181.3	63.6	108.8	98.2	103.4	84.1	82.8	70.3	82.4	45.5	39.1	54.9	27.4	19.7	4.8	18.8	259.0%
Total Assets	7,517.9	7,332.6	6,999.2	3,569.5	3,375.3	3,138.8	3,058.3	3,087.1	2,748.1	2,803.2	2,609.6	2,577.0	2,602.9	2,582.0	2,625.4	2,710.8	2,666.2	7.4%
Inventory	1,727.7	1,298.9	1,308.5	836.3	888.8	758.9	840.2	836.7	758.8	704.6	646.5	591.0	626.0	574.1	608.0	540.3	646.4	32.0%
Total Liabilities	3,864.2	3,899.7	3,636.4	1,919.5	1,804.1	1,637.2	1,619.9	1,698.8	1,465.9	1,429.8	1,305.5	1,292.0	1,331.8	1,359.4	1,424.7	1,594.6	1,493.5	6.3%
Funds Employed	5,923.5	5,380.1	5,348.4	2,419.8	2,324.3	2,140.4	2,098.4	2,033.6	1,991.2	2,042.4	2,001.0	1,952.0	1,983.7	1,994.2	2,022.9	2,069.6	2,118.8	10.8%
Total Equity	3,653.7	3,432.9	3,362.8	1,650.0	1,571.2	1,501.6	1,438.4	1,388.3	1,282.2	1,373.4	1,304.1	1,285.0	1,271.1	1,222.6	1,200.7	1,116.2	1,172.7	8.7%
Net Debt (statutory)⁷	2,269.8	1,947.2	1,985.6	769.8	753.1	638.8	660.0	645.3	709.0	669.0	696.9	670.2	712.6	771.6	822.2	953.4	946.1	14.3%
Net Debt⁸	2,329.6	2,064.4	2,078.3	831.1	804.1	688.2	706.2	645.3	709.0	669.0	696.9	670.2	712.6	771.6	822.2	953.4	946.1	12.1%
No of shares (at end of period)	880.1	876.2	872.9	572.4	570.4	566.2	564.3	560.8	558.4	554.9	551.4	546.9	542.2	538.6	535.9	460.3	454.8	0.8%
Operating cash flow	37.6	204.5	146.3	185.7	90.8	157.1	93.7	179.8	56.1	132.3	56.0	148.6	109.1	91.6	1.0	243.0	47.3	(74.3%)
Free Cash Flow excluding Magnet and restructuring costs	(57.4)	164.3	51.0	102.1	55.3													(212.6%)
Free Cash Flow	(65.0)	58.6	(14.7)	4.8	(86.2)	57.6	(21.2)	116.5	(7.5)	32.5	11.4	73.5	82.7	42.9	(21.1)	189.4	31.4	(342.2%)
Capital and investment expenditure	105.5	154.2	2,320.8	183.5	177.0	112.7	114.9	63.9	63.6	106.4	45.0	104.5	26.4	48.7	22.1	92.5	15.9	(95.5%)
Operating Return on Assets %	10.8%	11.5%	7.7%	9.8%	10.4%	9.5%	10.2%	10.5%	9.4%	9.9%	8.0%	7.4%	9.6%	6.5%	6.2%	3.6%	5.3%	3.1pts
Operating Return on Equity %	12.7%	13.3%	7.8%	11.6%	13.6%	12.7%	13.1%	13.9%	12.2%	12.1%	9.4%	8.4%	11.1%	6.8%	5.6%	2.7%	5.0%	4.9pts
Operating Return on Funds Employed % (ROFE)	14.2%	15.3%	10.4%	14.4%	15.2%	13.9%	15.1%	15.3%	12.9%	13.3%	10.5%	9.8%	12.6%	8.4%	8.0%	4.6%	6.6%	3.8pts
Operating EBIT to sales	9.7%	9.7%	6.3%	7.8%	8.0%	7.3%	7.8%	7.4%	6.8%	7.8%	6.6%	6.3%	8.2%	5.9%	5.6%	3.5%	5.6%	3.4pts
Operating Earnings Per Share (cents) - year end	24.4	25.3	10.7	17.4	17.2	15.5	14.9	14.8	12.6	13.2	10.1	9.0	12.0	6.9	5.4	2.7	5.8	128.0%
Dividends per share (cents)	6.0	13.5	8.0	10.5	8.0	10.0	7.0	7.5	6.0	7.0	5.0	6.0	5.0	3.5	3.0	3.0	3.0	-2cents
Dividend payout ratio (statutory)	23.2%	65.4%	110.2%	84.1%	46.7%	55.0%	47.2%	51.1%	47.9%	47.1%	60.7%	83.9%	49.4%	69.0%	81.7%	287.5%	-87pts	
Dividend payout ratio	24.6%	53.5%	75.1%	92.1%	46.7%	65.0%	47.2%	51.1%	47.9%	52.9%	49.5%	66.9%	41.8%	50.9%	55.7%	113.1%	51.9%	-50.5pts
Gearing (statutory) (net debt/net debt + equity)⁷	38.3%	36.2%	37.1%	31.8%	32.4%	29.8%	31.5%	31.7%	35.6%	32.8%	34.8%	34.3%	35.9%	38.7%	40.6%	46.1%	44.7%	1.2pts
Gearing (net debt/net debt + equity)⁸	38.9%	37.6%	38.2%	33.5%	33.9%	31.4%	32.9%	31.7%	35.6%	32.8%	34.8%	34.3%	35.9%	38.7%	40.6%	46.1%	44.7%	0.7pts
Gross Profit Margin	23.1%	23.3%	21.8%	17.0%	22.0%	18.2%	21.7%	18.5%	21.6%	19.2%	20.2%	18.6%	22.4%	18.0%	18.4%	18.2%	19.0%	1.3pts
Interest cover (times)	3.9	4.4	3.0	5.8	6.5	5.4	5.3	5.1	5.4	6.2	5.0	4.5	5.5	3.6	2.7	1.5	2.4	0.9times
Net tangible assets per share (\$)	1.65	1.53	1.38	2.40	2.26	2.16	2.03	1.95	1.77	1.93	1.82	1.77	1.78	1.69	1.70	1.81	2.13	19.6%
Employees	11,743	11,678	11,639	7,526	7,733	7,527	7,269	7,395	7,262	7,272	7,078	7,054	6,899	6,989	7,012	7,379	6,896	0.9%
Sales per employee (\$000s)	351	361	277	288	276	268	274	277	260	234	221	218	221	205	210	186	184	26.7%
Cost increases	362	269	61	101	58	101	166	132	94	44	27	36	32	37	20	37		
Cost reductions	15	54	37	23	17	19	21	17	30	31	19	27	29	35	24	26	24	
Revenue enhancements	770	184	12	102	48	70	166	195	114	19	9	23	29	15	15			
Raw steel production	1,246,895	1,201,575	1,357,847	855,587	877,819	833,093	800,603	810,399	538,998	799,347	819,508	792,495	831,904	783,561	793,089	747,099	691,671	(8.2%)
Steel tonnes despatched	1,585,948	2,095,900	1,563,923	1,134,993	1,143,329	1,175,159	1,100,621	1,156,941	1,107,110	1,085,901	1,073,635	1,113,010	1,111,129	1,075,745	1,100,668	1,125,058	1,000,015	1.4%

The financial information presented for the years 2001 - 2004 has been presented under previous AGAAP and have not been restated under International Financial Reporting Standards (IFRS). The nature of the main adjustments to make the information comply with IFRS include:

- recognition of additional provisions relating to rehabilitation and make good;
- restatement of deferred tax balances using the balance sheet method;
- recognition of the deficit in the defined benefits superannuation fund;
- consolidation of the employee share plan trust; and
- recognition of derivative financial instruments on balance sheet at fair value and application of hedge accounting.

Note that the financial information presented for the years 2001 - 2004 has been adjusted to exclude goodwill amortisation from earnings.

1. December 2008 operating 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 \$2.1m after tax and the tax benefit arising on finalisation of tax consolidation values of \$15.3m.

2. December 2007 and June 2008 operating 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 \$29.8m and \$40.3m after tax respectively. These statistics include the results of the Smorgon Steel Group Limited from 20 August 2007 only. These figures have been restated to reflect the final fair value adjustments arising on acquisition of Smorgon Steel Group Limited in August 2007.

3. June 2007 operating results exclude the impact of the derecognition of deferred tax liabilities of \$9.5m.

4. June 2006 operating results exclude the tax benefit of \$15.9m arising from adjustments to tax consolidation values.

5. June 2005 operating results exclude the benefit relating to the reversal of impairment loss on transition to AIFRS of \$49.7m after tax.

6. June 2004 operating results exclude the tax benefit of \$19.8m arising from OneSteel's entry into the tax consolidation regime.

7. Net debt under previous AGAAP has been adjusted to include securitisation which was previously classified as off -balance sheet.

8. Net debt includes derivatives designated in a qualifying hedge relationship against interest bearing liabilities under AIFRS.

ONESTEEL LIMITED

ABN 63 004 410 833

APPENDIX 4D

HALF YEAR REPORT

6 MONTHS ENDED 31 DECEMBER 2008

ONESTEEL LIMITED

HIGHLIGHTS OF RESULTS AND DIVIDENDS

6 MONTHS ENDED 31 DECEMBER 2008

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				A\$ million
Sales Revenue	UP	28.3%	TO	4,127.6
Revenue from ordinary activities	UP	27.8%	TO	4,151.0
Profit from ordinary activities after tax attributable to members	UP	259.0%	TO	228.3
Profit from ordinary activities after tax attributable to members excluding the impact of restructuring costs, impairment of plant and equipment and the benefit of tax consolidation	UP	130.3%	TO	215.1
Net Profit for the period attributable to members	UP	259.0%	TO	228.3
Net Profit for the period attributable to members excluding the impact of restructuring costs, impairment of plant and equipment and the benefit of tax consolidation	UP	130.3%	TO	215.1

	December 2008	December 2007
Net Tangible Assets per share (\$)	1.65	1.38

Dividends	Interim Dividend 2009	Interim Dividend 2008
Amount per security	6.0c	8.0c
Franked amount per security	6.0c	8.0c

RECORD DATE FOR DETERMINING ENTITLEMENTS: 6 MARCH 2009

INTERIM DIVIDEND PAYMENT DATE: 16 APRIL 2009

DIVIDEND REINVESTMENT PLAN (DRP)

The DRP will operate for the interim dividend. DRP election notices must be received at OneSteel's Share Registry, at Computershare, Level 3, 60 Carrington St Sydney NSW 2000 (Postal: GPO Box 7045, Sydney NSW 2001) by 5.00pm on 6 March 2009 (the Record Date).

No discount applies to the DRP.

JOINT VENTURE ENTITY

BOSFA Pty Ltd (formerly known as Bekaert Australia Steel Cord Pty Limited) (50% ownership interest and voting power)

ASSOCIATE

Suntech Metals Company (20% ownership interest and voting power)

This report is based on accounts that have been subject to audit review and are not subject to any dispute or qualification.

ONESTEEL LIMITED

ABN 63 004 410 833

FINANCIAL REPORT
for the half-year ended 31 December 2008

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Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of OneSteel Limited and the entities it controlled at the end of, or during the half-year ended 31 December 2008.

DIRECTORS

The names of the directors in office during or since the end of the half-year are:

P J Smedley
G J Plummer
R B Davis
E J Doyle
C R Galbraith
P G Nankervis
D A Pritchard
N J Roach
G J Smorgon
L G Cox

Unless otherwise indicated, all directors held their position as a director throughout the entire half-year and up to the date of this report.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the half-year were the mining and supply of steel making raw materials to steel mills operated in Australia and overseas; recycling of ferrous and non-ferrous scrap and the manufacture and distribution of steel long products.

The Group manufactures and distributes a wide range of products including structural, rail, rod, bar, wire and pipe and tube products. In addition, the Group distributes sheet and coil, piping systems, plate and aluminium products. The Group owns 50.3% of the ordinary shares of Steel & Tube Holdings Limited, a listed New Zealand steel distribution company.

RESULTS

The net profit after tax and minority interest of the Group for the half-year was \$228.3m (2007: \$63.6m). Excluding the impact of restructuring costs and reversal of impairment loss on plant and equipment of \$2.1m and the benefit of tax consolidation of \$15.3m, net profit was \$215.1m.

REVIEW OF OPERATIONS

Refer to the attached report on the review of operations.

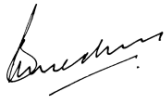
ROUNDING OF AMOUNTS

The parent entity is a company of the kind specified in Australian Securities and Investments Commission Class Order 98/100. In accordance with that class order, amounts in the consolidated financial statements and the Directors' Report have been rounded to the nearest hundred thousand dollars unless specifically stated otherwise.

AUDITOR INDEPENDENCE

In relation to the review of the financial report for the half-year ended 31 December 2008, the auditors have issued the directors with an independence declaration. Refer to page 5.

This report has been made in accordance with a resolution of the directors.



Peter Smedley
Chairman

Sydney
17 February 2009



Geoff Plummer
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF ONESTEEL LIMITED

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 there have been:

- (a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG



David Rogers
Partner
Sydney
17 February 2009

Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008		CONSOLIDATED	
	Note	2008 \$m	2007 \$m
Sales revenue	4	4,127.6	3,218.3
Cost of sales	4	(3,174.7)	(2,517.5)
Gross profit		952.9	700.8
Other revenue	4	23.4	30.4
Other income	4	24.5	3.2
Operating expenses including restructuring costs and impairment of plant and equipment	4	(604.3)	(556.5)
Finance costs		(101.6)	(67.0)
Share of net profit/(loss) of investments accounted for using the equity method		0.9	(12.6)
Profit before income tax		295.8	98.3
Income tax expense		(74.1)	(30.4)
Income tax benefit arising from tax consolidation		15.3	-
Total income tax expense	5	(58.8)	(30.4)
Profit after tax		237.0	67.9
Profit attributable to minority interests		(8.7)	(4.3)
Profit attributable to equity holders of the parent		228.3	63.6
Basic earnings per share (cents per share)	7	26.01	8.05
Diluted earnings per share (cents per share)	7	25.92	8.01
On earnings before the impact of restructuring costs, impairment of plant and equipment and the benefit of tax consolidation:			
Basic earnings per share (cents per share)	7	24.51	11.83
Diluted earnings per share (cents per share)	7	24.42	11.77

The accompanying notes form an integral part of this Income Statement.

Balance Sheet

AS AT 31 DECEMBER 2008	Note	CONSOLIDATED	
		December 2008 \$m	June 2008 \$m
ASSETS			
Current Assets			
Cash and cash equivalents		29.8	151.2
Receivables		851.3	1,185.3
Derivative financial instruments		14.1	5.0
Inventories		1,727.7	1,298.9
Other financial assets		3.2	-
Other current assets		24.6	12.0
Total Current Assets		2,650.7	2,652.4
Non-current Assets			
Investment accounted for using the equity method		8.8	7.9
Derivative financial instruments		-	16.4
Other financial assets		-	4.2
Property, plant and equipment		2,395.5	2,361.8
Mine development expenditures		97.7	87.7
Other intangibles and goodwill		2,131.9	2,034.1
Deferred tax assets		233.2	168.0
Other non-current assets		0.1	0.1
Total Non-current Assets		4,867.2	4,680.2
TOTAL ASSETS		7,517.9	7,332.6
LIABILITIES			
Current Liabilities			
Payables		832.0	1,014.8
Derivative financial instruments		27.4	6.2
Interest-bearing liabilities		405.1	483.6
Current tax liabilities		30.6	34.8
Provisions		291.6	297.7
Total Current Liabilities		1,586.7	1,837.1
Non-current Liabilities			
Derivative financial instruments		59.8	133.6
Interest-bearing liabilities		1,894.5	1,614.8
Deferred tax liabilities		210.9	192.2
Provisions		105.5	115.2
Retirement benefit obligations		6.8	6.8
Total Non-current Liabilities		2,277.5	2,062.6
TOTAL LIABILITIES		3,864.2	3,899.7
NET ASSETS		3,653.7	3,432.9
EQUITY			
Contributed equity	8	2,949.5	2,929.9
Retained earnings		613.3	503.6
Reserves		25.3	(58.3)
Parent interests		3,588.1	3,375.2
Minority interests		65.6	57.7
TOTAL EQUITY		3,653.7	3,432.9

The accompanying notes form an integral part of this Balance Sheet.

Condensed Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008		CONSOLIDATED	
	Note	2008 \$m	2007 \$m
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		4,486.1	3,406.6
Payments to suppliers and employees		(4,282.5)	(3,155.2)
Interest received		2.2	2.9
Interest and other finance costs paid		(95.3)	(52.8)
Income taxes paid		(72.9)	(55.2)
Net operating cash flows		37.6	146.3
Cash flows from investing activities			
Purchases of property, plant and equipment, mine development expenditure and other intangibles		(102.6)	(160.9)
Proceeds from sale of property, plant and equipment and other intangibles		32.3	1.0
Purchases of controlled entities, net of cash acquired		-	(422.4)
Purchases of businesses		(2.9)	(2.6)
Net investing cash flows		(73.2)	(584.9)
Cash flows from financing activities			
Proceeds from issues of shares		-	0.1
Purchase of shares under equity-based compensation plans		(4.9)	(7.2)
Net proceeds from borrowings		8.4	546.5
Repayment of principal of finance leases		(10.7)	(9.6)
Dividends paid		(99.8)	(67.2)
Net financing cash flows		(107.0)	462.6
Net (decrease)/increase in cash and cash equivalents		(142.6)	24.0
Cash and cash equivalents at the beginning of the half-year		108.4	9.6
Effect of exchange rate fluctuations on cash held		11.1	-
Cash and cash equivalents at the end of the half-year	12	(23.1)	33.6

The accompanying notes form an integral part of this Condensed Cash Flow Statement.

Statement of Changes in equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									MINORITY INTERESTS	TOTAL EQUITY
CONSOLIDATED	Issued capital \$m	Employee compensation shares \$m	Total contributed equity \$m	Retained earnings \$m	Foreign currency translation \$m	Cash flow hedges \$m	Other reserves \$m	Total reserves \$m	Total parent interests \$m	\$m	\$m
At 1 July 2008	2,942.1	(12.2)	2,929.9	503.6	(80.9)	17.9	4.7	(58.3)	3,375.2	57.7	3,432.9
Cash flow hedges:											
- net losses taken to equity	-	-	-	-	-	(41.7)	-	(41.7)	(41.7)	-	(41.7)
- transferred to finance costs	-	-	-	-	-	(7.5)	-	(7.5)	(7.5)	-	(7.5)
- transferred to initial carrying amount of hedged items	-	-	-	-	-	4.3	-	4.3	4.3	-	4.3
Currency translation differences:											
- net investment hedges	-	-	-	-	(26.1)	-	-	(26.1)	(26.1)	-	(26.1)
- exchange fluctuations on overseas net assets	-	-	-	-	154.6	-	-	154.6	154.6	2.8	157.4
Total recognised income and expense for the period recognised directly in equity	-	-	-	-	128.5	(44.9)	-	83.6	83.6	2.8	86.4
Net profit for the half-year	-	-	-	228.3	-	-	-	-	228.3	8.7	237.0
Total income/expense for the period	-	-	-	228.3	128.5	(44.9)	-	83.6	311.9	11.5	323.4
Share-based payments expense	-	-	-	-	-	-	2.1	2.1	2.1	-	2.1
Vested shares	-	2.1	2.1	-	-	-	(2.1)	(2.1)	-	-	-
Purchase of shares under equity-based compensation plans	-	(4.9)	(4.9)	-	-	-	-	-	(4.9)	-	(4.9)
Dividends paid	-	-	-	(118.6)	-	-	-	-	(118.6)	(3.6)	(122.2)
Shares issued under dividend reinvestment plan	22.4	-	22.4	-	-	-	-	-	22.4	-	22.4
At 31 December 2008	2,964.5	(15.0)	2,949.5	613.3	47.6	(27.0)	4.7	25.3	3,588.1	65.6	3,653.7

The accompanying notes form an integral part of this Statement of Changes in Equity.

Statement of Changes in equity (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									MINORITY INTERESTS	TOTAL EQUITY
	Issued capital \$m	Employee compensation shares \$m	Total contributed equity \$m	Retained earnings \$m	Foreign currency translation \$m	Cash flow hedges \$m	Other reserves \$m	Total reserves \$m	Total parent interests \$m	\$m	\$m
CONSOLIDATED											
At 1 July 2007	1,163.8	(10.2)	1,153.6	420.3	2.9	5.5	4.4	12.8	1,586.7	63.3	1,650.0
Cash flow hedges:											
- net gains taken to equity	-	-	-	-	-	15.6	-	15.6	15.6	-	15.6
- transferred to finance costs	-	-	-	-	-	(6.5)	-	(6.5)	(6.5)	-	(6.5)
- transferred to initial carrying amount of hedged items	-	-	-	-	-	(1.8)	-	(1.8)	(1.8)	-	(1.8)
Currency translation differences:											
- net investment hedges	-	-	-	-	7.2	-	-	7.2	7.2	-	7.2
- exchange fluctuations on overseas net assets	-	-	-	-	(32.1)	-	-	(32.1)	(32.1)	(1.7)	(33.8)
Total recognised income and expense for the period recognised directly in equity	-	-	-	-	(24.9)	7.3	-	(17.6)	(17.6)	(1.7)	(19.3)
Net profit for the half-year	-	-	-	63.6	-	-	-	-	63.6	4.3	67.9
Total income/expense for the period	-	-	-	63.6	(24.9)	7.3	-	(17.6)	46.0	2.6	48.6
Share-based payments expense	-	-	-	-	-	-	1.8	1.8	1.8	-	1.8
Vested shares	-	2.7	2.7	-	-	-	(2.7)	(2.7)	-	-	-
Purchase of shares under equity-based compensation plans	-	(7.2)	(7.2)	-	-	-	-	-	(7.2)	-	(7.2)
Dividends paid	-	-	-	(91.5)	-	-	-	-	(91.5)	(5.2)	(96.7)
Shares issued during the period	1,734.9	-	1,734.9	-	-	-	-	-	1,734.9	-	1,734.9
Shares issued under dividend reinvestment plan	29.5	-	29.5	-	-	-	-	-	29.5	-	29.5
Shares issued on exercise of options	0.1	-	0.1	-	-	-	-	-	0.1	-	0.1
Revaluation of intangible assets	-	-	-	-	-	-	1.8	1.8	1.8	-	1.8
At 31 December 2007	2,928.3	(14.7)	2,913.6	392.4	(22.0)	12.8	5.3	(3.9)	3,302.1	60.7	3,362.8

The accompanying notes form an integral part of this Statement of Changes in Equity.

Notes to the financial statements

For the half-year ended 31 December 2008

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Notes to the financial statements

NOTE 1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

This general purpose financial report for the half-year ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 “Interim Financial Reporting” and the Corporations Act 2001.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by OneSteel Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

This half-year financial report of OneSteel Limited for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 17 February 2009.

NOTE 2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considered that it is probable that future taxable profits will be available to utilise those temporary differences.

Impairment of non-financial assets other than goodwill and intangibles with indefinite useful lives

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset or cash generating unit (CGU) that may lead to impairment. These include business performance, technology, economic and political environments and future business expectations. If an impairment indicator exists the recoverable amount of the asset is determined. Management have given consideration to impairment indicators and performed an estimate of recoverable amount of the CGUs where such indicators exist. Based on the recoverable amount estimates the carrying value of the Group's CGUs continues to be supported.

Taxation

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet and the application of income tax legislation. These judgements are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of tax assets and liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

Notes to the financial statements (continued)

NOTE 2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Significant accounting judgements (continued)

Taxation (continued)

Management are currently in the process of finalising certain prior period tax returns. This includes the calculation of deductible research and development expenditure in respect of the financial year ended 30 June 2008 and may result in a potential tax benefit in the financial year ending 30 June 2009. The impact of these prior period tax returns cannot be reliably quantified at this stage and as such no amounts have been recognised in the half-year financial report.

Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

(b) Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired on at least an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

Provision for restoration and rehabilitation

Restoration and rehabilitation costs are a normal consequence of the Group's operations. The provisions include future cost estimates associated with dismantling, closure and decontamination of various sites. The calculations of the provisions require assumptions such as application of environmental legislation, site closure dates, available technologies and consultant cost estimates. The ultimate cost of restoration and rehabilitation is uncertain and costs can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other sites. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the site. Changes to the estimated future costs for sites are recognised in the balance sheet by adjusting both the expense or asset (if applicable) and provision.

Carbon Pollution Reduction Scheme

The Australian Federal Government has proposed introducing a Carbon Pollution Reduction Scheme (CPRS) in July 2010. The introduction of the CPRS has the potential to significantly impact the assumptions used to determine the future cash flows generated from the continuing use of the Group's assets for the purpose of value-in-use calculations in impairment testing. The Group has not yet incorporated the impact of CPRS at 31 December 2008 as insufficient market information existed. The CPRS is not targeted to come into effect until July 2010 and the relevant legislation has yet to be passed. Uncertainties exist around a number of areas including:

- the level of emissions the Group is expected to emit as dependent on forecast production output
- abatement opportunities and the prospective costs of such
- the range of prices of emission permits
- the number of permits required to be purchased
- the impact of costs incurred by suppliers and their ability to be passed on to the Group
- the ability to pass on the cost of any permits that the Group will be required to purchase
- the cost impact of the Renewable Energy Targets for electricity generation

Notes to the financial statements (continued)

NOTE 3. SEGMENT INFORMATION

2008	Materials	Manufacturing	Distribution	New Zealand Distribution	Unallocated	Eliminations	Consolidated
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Segment revenues							
Revenues from customers outside the consolidated entity	691.2	1,177.2	2,030.4	228.8	-	-	4,127.6
Intersegment revenue	283.9	693.8	18.6	0.5	5.6	(1,002.4)	-
Other revenue/income	2.5	7.3	36.1	0.5	1.5	-	47.9
Total income	977.6	1,878.3	2,085.1	229.8	7.1	(1,002.4)	4,175.5
Share of net profit/(loss) of investments accounted for using the equity method	(0.4)	-	-	-	1.3	-	0.9
Earnings before interest, tax, depreciation and amortisation	54.5	249.5	210.4	31.7	(35.1)	(17.4)	493.6
Depreciation and amortisation	(20.0)	(47.9)	(24.7)	(2.8)	(2.6)	-	(98.0)
Reversal of impairment loss on plant and equipment	-	1.8	-	-	-	-	1.8
Earnings before interest and tax	34.5	203.4	185.7	28.9	(37.7)	(17.4)	397.4
Finance costs							(101.6)
Income tax expense							(58.8)
Profit after tax							237.0
Segment assets	1,357.8	3,153.7	2,544.8	241.6	91.5	(113.5)	7,275.9
Investments accounted for using the equity method	3.0	-	-	-	5.8	-	8.8
Tax assets							233.2
Consolidated assets							7,517.9
Segment liabilities	155.8	413.4	532.6	114.9	2,480.9	(74.9)	3,622.7
Tax liabilities							241.5
Consolidated liabilities							3,864.2
Other segment information							
Restructuring costs and reversal of impairment loss on plant and equipment	-	1.1	1.2	-	(5.4)	-	(3.1)

Notes to the financial statements (continued)

NOTE 3. SEGMENT INFORMATION (CONTINUED)

2007	Materials	Manufacturing	Distribution	New Zealand Distribution	Unallocated	Eliminations	Consolidated
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Segment revenues							
Revenues from customers outside the consolidated entity	618.3	868.5	1,516.8	214.7	-	-	3,218.3
Intersegment revenue	137.4	454.7	8.7	-	0.2	(601.0)	-
Other revenue/income	1.2	9.4	13.4	0.1	9.5	-	33.6
Total income	756.9	1,332.6	1,538.9	214.8	9.7	(601.0)	3,251.9
Share of net profit/(loss) of investments accounted for using the equity method	0.2	-	-	-	(12.8)	-	(12.6)
Earnings before interest, tax, depreciation and amortisation	98.3	97.4	84.5	18.4	(34.9)	(7.3)	256.4
Depreciation and amortisation	(7.7)	(41.7)	(30.2)	(2.6)	(3.9)	-	(86.1)
Impairment loss on plant and equipment	-	(5.0)	-	-	-	-	(5.0)
Earnings before interest and tax	90.6	50.7	54.3	15.8	(38.8)	(7.3)	165.3
Finance costs							(67.0)
Income tax expense							(30.4)
Profit after tax							67.9
Segment assets	1,288.9	2,987.9	2,337.7	207.1	166.1	(141.2)	6,846.5
Investments accounted for using the equity method	3.1	-	-	-	3.9	-	7.0
Tax assets							145.7
Consolidated assets							6,999.2
Segment liabilities	169.1	463.8	566.4	93.3	2,292.1	(121.0)	3,463.7
Tax liabilities							172.7
Consolidated liabilities							3,636.4
Other segment information							
Restructuring costs and impairment loss on plant and equipment	-	(12.4)	(3.1)	-	(21.5) ⁽ⁱ⁾	-	(37.0)

(i) Includes OneSteel's share of restructuring costs related to investments accounted for using the equity method of \$13.7m.

Notes to the financial statements (continued)

NOTE 3. SEGMENT INFORMATION (CONTINUED)

Segment activities

The December 2007 comparatives have been restated to reflect the final allocation of the cost of the business combination to the net identifiable assets, liabilities and contingent liabilities acquired as part of the Smorgon Steel Group Limited on 20 August 2007.

The Group's primary segment reporting format is business segments as the Group's risks and rates of return are affected predominantly by differences in the products produced. The operating businesses are organised and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Materials

The primary function of the businesses in the Materials segment is to supply steel making raw materials to steel mills operated in Australia and across the globe. This includes the Recycling business and from 1 July 2007, the Whyalla Mining business that has resulted from Project Magnet allowing incremental iron ore to be exported to overseas steel makers.

Manufacturing

Whyalla Steelworks produces steel billets as feedstock for OneSteel's Rod Bar Wire operations together with rail products, structural steels and slabs for external sale.

Sydney Steel Mill produces steel billets for the manufacture of reinforcing and bar products on its own rolling mills as well as steel billet to be used as feed in OneSteel's other rolling facilities.

Rod & Bar manufactures products in its Bar Mill and Rod Mills at Newcastle and Laverton which are used in a range of applications such as manufacturing, construction, mining and automotive industries.

Wire manufactures wire and steel rope for use in the construction, mining, manufacturing and agricultural industries from its mills at Newcastle and Geelong.

Waratah Steel Mill produces billet and ingot for the manufacture of specialty steel products including rail wagon wheels and grinding media used in the mining, quarrying and cement industries.

Distribution

The Distribution business has centres located throughout Australia in capital cities and regional areas, providing a wide range of products to resellers and end-users. Products include structural steel, steel plate, angles, channels, flat steel, reinforcing steel, sheet steel and coil, a range of aluminium products, pipes, fittings, valves and other industrial products.

The Reinforcing business manufactures and distributes reinforcing products around Australia.

The Pipe & Tube business manufactures products for the construction, mining, oil and gas and manufacturing industries from its mills at Somerton, Port Kembla and Kwinana.

The Distribution segment also includes Australian Tube Mills Pty Ltd, formerly a joint venture between OneSteel and Smorgon Steel manufacturing structural pipe and tube.

New Zealand Distribution

This comprises the 50.3% shareholding in Steel and Tube Holdings Limited, a public listed company in New Zealand, which processes and distributes a comprehensive range of steel and allied products in the construction, manufacturing and rural industries to the New Zealand market.

Notes to the financial statements (continued)

NOTE 3. SEGMENT INFORMATION (CONTINUED)

Segment activities (continued)

Intra/intersegment transfers

The Materials segment sells raw materials to the Manufacturing segment. The Manufacturing segment sells manufactured products such as structural steel, angles, channels, flats, reinforcing bar and mesh to the Distribution and New Zealand Distribution segments.

All sales between segments are conducted on an arms' length basis, with terms and conditions no more favourable than those, which it is reasonable to expect when dealing with an external party.

Changes in segment structure

On 5 February 2009, OneSteel announced organisational changes effective 16 February 2009 which may impact the segment structure in future periods. This change has not been reflected in the 31 December 2008 half-year financial report.

NOTE 4. INCOME STATEMENT ITEMS

	2008	2007
	\$m	\$m
(a) Sales revenue		
Product sales	4,122.3	3,215.8
Rendering of services	5.3	2.5
Total sales revenue	4,127.6	3,218.3
(b) Other revenue		
Interest	2.2	2.9
Other	21.2	27.5
Total other revenue	23.4	30.4
TOTAL REVENUE	4,151.0	3,248.7
(c) Other income		
Net gains on disposal of property, plant and equipment	7.7	-
Net gains on disposal of intangible assets	16.8	-
Net foreign exchange gains	-	1.9
Other	-	1.3
Total other income	24.5	3.2
TOTAL INCOME	4,175.5	3,251.9
(d) Included in the cost of sales and operating expenses are the following items:		
Depreciation of property, plant and equipment	88.3	66.3
Amortisation of mine development expenditures	1.0	1.0
Amortisation of finite-life intangibles	8.7	18.8
(Reversal of impairment loss) ⁽ⁱ⁾ /impairment loss on plant and equipment ⁽ⁱⁱ⁾	(1.8)	5.0
Net foreign exchange losses	44.7	-
Restructuring costs ⁽ⁱⁱⁱ⁾	4.9	32.0
Share-based payment expense	1.9	1.7

(i) Reversal of impairment loss on plant and equipment associated with manufacturing facility closures in Somerton.

(ii) Impairment loss on plant and equipment associated with the planned closure of the Laverton Wire Mill.

(iii) Costs related to the integration of the Smorgon Steel Group and Australian Tube Mills businesses. In 2007, this included OneSteel's share of restructuring costs from equity accounted investments of \$13.7m.

Notes to the financial statements (continued)

NOTE 5. INCOME TAX

Tax consolidation

OneSteel Limited and its wholly owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2003. Members of the group have entered into a tax sharing agreement in order to allocate income tax to the wholly owned subsidiaries on the same basis as if they were separate taxpayers. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is OneSteel Limited.

As a result of forming a tax consolidated group, tax benefits of \$19.8m and \$15.9m were recognised in the 2004 and 2006 years respectively as a consequence of resetting tax values of certain assets in subsidiaries with a corresponding reduction to deferred tax liabilities.

For the half-year ended 31 December 2008, a further \$15.3m tax benefit was recognised as a result of finalisation of the reset of tax values of certain assets in subsidiaries with a corresponding reduction to deferred tax liabilities.

NOTE 6. DIVIDENDS

The following dividends have been paid, declared or recommended since the end of the preceding financial year:

Dividends paid during the half-year	On ordinary shares \$m	Dividend per ordinary share cents
December 2008		
Final fully franked dividend for 2008, paid on 16 October 2008	118.6	13.5
December 2007		
Final fully franked dividend for 2007, paid on 18 October 2007	91.5	10.5

Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the half-year, the directors have recommended the payment of an interim dividend of 6.0 cents per fully paid ordinary share (2007: 8.0 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 16 April 2009 but not recognised as a liability at balance date is \$53.0m (2007: \$70.1m).

Franked dividends

The franked portion of the interim dividend recommended after 31 December 2008 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2009.

As disclosed in Note 2, management are currently in the process of finalising certain prior period tax returns, which may result in a potential tax benefit recognised in the year ended 30 June 2009. Should a tax refund eventuate, the Group's ability to pay fully franked dividends in the future may be impacted to the extent that insufficient franking credits exist.

Notes to the financial statements (continued)

NOTE 7. EARNINGS PER SHARE

The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share:

(a) Earnings

	December 2008	December 2007
	\$m	\$m
Profit attributable to equity holders of the parent	228.3	63.6
Earnings used in calculating basic and diluted earnings per share	228.3	63.6

(b) Number of ordinary shares

	December 2008	December 2007
	Number of shares	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	877,673,322	789,599,515
Dilutive effect of executive share options ⁽¹⁾	261,657	342,490
Dilutive effect of employee compensation shares	2,748,098	3,592,310
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	880,683,077	793,534,315
On earnings before the impact of restructuring costs, impairment of plant and equipment and the benefit of tax consolidation: ⁽²⁾		
Basic earnings per share (cents per share)	24.51	11.83
Diluted earnings per share (cents per share)	24.42	11.77

(1) Executive share options relate solely to ordinary shares. All potential ordinary shares, being options to acquire ordinary shares, are considered dilutive.

(2) The calculation of earnings per share before the impact of restructuring costs, impairment of plant and equipment and the benefit of tax consolidation was based on earnings of \$215.1m (2007: \$93.4m). The impact on earnings of restructuring costs and impairment of plant and equipment was a decrease of \$2.1m after tax (2007: decrease of \$29.8m) and the benefit of tax consolidation, was \$15.3m.

NOTE 8. CONTRIBUTED EQUITY

	December 2008	June 2008
	\$m	\$m
Issued capital (a)	2,964.5	2,942.1
Employee compensation shares (b)	(15.0)	(12.2)
Total contributed equity	2,949.5	2,929.9
(a) Issued capital		
Number of ordinary shares: 882,781,344 (June 2008: 878,712,920)		
Issued and paid-up	2,964.5	2,942.1
(b) Employee compensation shares		
Number of ordinary shares: 2,688,507 (June 2008: 2,511,103)		
Shares held in trust under equity-based compensation arrangements	(15.0)	(12.2)

Notes to the financial statements (continued)

NOTE 8. CONTRIBUTED EQUITY (CONTINUED)

	Number of ordinary shares	Value of ordinary shares \$m
Movements in issued capital for the period		
On issue at the beginning of the half-year	878,712,920	2,942.1
Issued during the half-year:		
From the exercise of options	35,332	-
Under a Dividend Reinvestment Plan	4,033,092	22.4
On issue at the end of the half-year	882,781,344	2,964.5
Movements in employee compensation shares for the period		
Held in trust at the beginning of the half-year	(2,511,103)	(12.2)
Shares purchased on-market	(796,324)	(4.9)
Shares vested and transferred to share-based payments reserve	618,920	2.1
Held in Trust at the end of the half-year	(2,688,507)	(15.0)

NOTE 9. INTEREST-BEARING LIABILITIES

On 9 July 2008, OneSteel completed the issue of USD\$200 million of private placement notes. The funds have been used to refinance maturing debt and also assist to extend the duration of OneSteel's debt portfolio.

NOTE 10. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent Liabilities

Contingent liabilities at balance date not otherwise provided for in the financial statements are categorised as follows:

	December 2008 \$m	June 2008 \$m
Guarantees and indemnities		
Bank guarantees covering:		
Workers' compensation self-insurance licences ⁽¹⁾	48.9	54.8
Performance of contracts	26.5	16.1

(1) In Australia, OneSteel Limited has given guarantees to various state workers' compensation authorities as a pre-requisite for self-insurance. Of this amount, a total of \$32.1m (June 2008: \$31.3m) has been provided for in the consolidated financial statements as recommended by independent actuarial advice.

Third party claims

The Group has been involved from time to time in various claims and lawsuits incidental to the ordinary course of business, including claims for damages and commercial disputes relating to its products and services. Based on legal advice obtained, other than amounts already provided for in the accounts, the directors do not expect any material liability to eventuate.

Notes to the financial statements (continued)

NOTE 10. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

(b) Contingent Assets

OneSteel Manufacturing Pty Ltd, a subsidiary of OneSteel Limited made three claims on its insurer and reinsurers under its 2004 and 2005 policies for property damage and business interruption losses arising from disruptions to its blast furnace operations at Whyalla during the 2005 financial year.

Since making an interim progress payment of \$5m in 2006, Reinsurers have disputed liability to OneSteel's insurer under both policies on various grounds.

OneSteel's insurer has commenced formal proceedings against one reinsurer under the 2005 policy. OneSteel intends to pursue its claims against its insurer and reinsurers in accordance with all of its rights under its insurance policies.

Claims proceeds in addition to the progress payment and claims preparation costs will not be recognised in OneSteel's financial statements until these further proceeds can be estimated reliably.

NOTE 11. BUSINESS COMBINATIONS

The initial accounting for the acquisition of Smorgon Steel Group Limited on 20 August 2007 had been determined provisionally as at 31 December 2007. In accordance with Accounting Standard AASB 3 "Business Combinations", the Group had 12 months from the date of acquisition to complete the allocation of the cost of the business combination to the assets, liabilities and contingent liabilities acquired.

The allocation was finalised in August 2008 and accordingly, comparative information has been restated to present the carrying amounts of assets, liabilities and contingent liabilities acquired, as if the initial accounting had been completed from the date of acquisition. An explanation of how the fair value adjustments have affected the income statement and balance sheet is set out in the following tables and accompanying notes.

(a) Reconciliation of net profit as at 31 December 2007

		Consolidated December 2007
	Note	\$m
Profit after tax, as previously stated		74.6
Adjustments to profit, net of tax		
Revised depreciation charges on acquired property, plant and equipment		(1.8)
Revised amortisation charges on acquired finite-life intangible assets		(9.2)
Total adjustments to profit after tax	(i)	(11.0)
Profit after tax, restated		63.6

Notes to the financial statements (continued)

NOTE 11. BUSINESS COMBINATIONS (CONTINUED)

(b) Reconciliation of total equity as at 31 December 2007

		Consolidated December 2007
	Note	\$m
Total equity, as previously stated		3,403.4
Revised depreciation charges on acquired property, plant and equipment	(i)	(2.5)
Revised amortisation charges on acquired finite-life intangible assets	(i)	(13.2)
Adjustments to income tax expense	(i)	4.7
Revaluation of intangible assets	(ii)	1.8
Net foreign currency differences on translation of goodwill allocated to foreign operations	(iii)	(31.4)
Total adjustments to retained earnings		(40.6)
Total equity, restated		3,362.8

(i) Depreciation and amortisation charges

The fair value of property, plant and equipment at the acquisition date has been increased by \$214.7m. The fair value of identifiable intangible assets recognised at the acquisition date has decreased by \$7.7m.

The comparative information has been restated to reflect this adjustment and to include additional depreciation of \$2.5m and amortisation of \$13.2m arising on the final fair values in relation to the half-year ended 31 December 2007. Income tax expense has been restated accordingly.

(ii) Asset revaluation reserve

The carrying amount of pre-acquisition intangible assets has been revalued to their fair value in conjunction with the business combination.

(iii) Foreign currency translation reserve

Goodwill and fair value adjustments to the carrying amount of assets and liabilities arising from the acquisition of foreign operations as part of Smorgon Steel Group Limited have been allocated to the foreign operations from the acquisition date. They have been expressed in the functional currency of the foreign operation and translated at the rate prevailing at the balance sheet date. The comparative information has been restated to reflect this and to include foreign currency differences arising on the translation of goodwill allocated to foreign operations of \$31.4m relating to the half-year ended 31 December 2007.

NOTE 12. CASH AND CASH EQUIVALENTS

Reconciliation to the Condensed Cash Flow Statement

Cash at balance date as shown in the Condensed Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	December 2008	December 2007
	\$m	\$m
Cash and cash equivalents	29.8	84.6
Bank loan at call	(52.9)	(51.0)
Total	(23.1)	33.6

Notes to the financial statements (continued)

NOTE 13. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

On 27 January 2009, OneSteel announced the refinancing of \$458 million of \$500 million in bilateral and syndicated loan facilities that were due to mature in the 2009 calendar year. Work to refinance a \$300 million syndicated loan facility, due to mature in September 2009, is also in progress with \$223 million already refinanced. Work on adding to this facility and refinancing other current facilities is currently in progress.

As disclosed in Note 3, on 5 February 2009, OneSteel announced organisational changes effective 16 February 2009 which may impact the segment structure in future periods. This change has not been reflected in the 31 December 2008 half-year financial report.

There have been no other circumstances arising since 31 December 2008 that have significantly affected or may significantly affect:

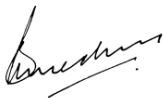
- (a) the operations;
- (b) the results of those operations; or
- (c) the state of affairs of the entity or consolidated entity in future financial years.

Directors' Declaration

In the opinion of the directors of OneSteel Limited (“the Company”):

- (a) the financial statements and accompanying notes of the Group are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group’s financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 “Interim Financial Reporting” and the Corporations Regulations 2001; and
- (b) that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Peter Smedley
Chairman

Sydney
17 February 2009



Geoff Plummer
Managing Director

Independent Auditor's Review Report

To members of OneSteel Limited

We have reviewed the accompanying interim financial report of OneSteel Limited, which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of changes in equity and cash flow statement for the six months ended on that date, a description of accounting policies and other explanatory notes 1 to 13 and the directors' declaration set out on page 24 of the consolidated entity comprising the company and the entities it controlled at 31 December 2008 or from time to time during the six months.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the six months ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of OneSteel Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of OneSteel Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the six months ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

KPMG

KPMG



David Rogers
Partner
Sydney
17 February 2009

Corporate Directory

DIRECTORS

Peter J Smedley
Chairman

Geoffrey J Plummer
Managing Director

R Bryan Davis

Eileen J Doyle

Colin R Galbraith, AM

Peter G Nankervis

Dean A Pritchard

Neville J Roach, AO

Laurence G Cox, AO

Graham J Smorgon

COMPANY SECRETARY

Sharyn Page

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AUDITORS

KPMG

SECURITIES EXCHANGE LISTING

OneSteel Limited shares are quoted on the Australian Securities Exchange.