# ASX RELEASE

22 February 2011

## Half Year Statutory Net Profit After Tax $116m
## Half Year Underlying Net Profit After Tax $125m

(ASX:OST) OneSteel Limited announced today a statutory net profit after tax of $116 million for the six months ended 31 December 2010. The interim financial result represents a slight decrease on the $117 million statutory net profit after tax for the six months ended 31 December 2009.

Underlying net profit after tax for the six months ended 31 December 2010 was $125 million, an increase of 5% from the $119 million underlying net operating profit after tax for the six months ended 31 December 2009. Underlying net profit after tax excludes direct costs related to the recent mining consumables acquisition of Anglo American's Moly-Cop and AltaSteel businesses.

Underlying earnings before interest and tax (EBIT) was $215 million, up 8% on EBIT for the prior corresponding half of $199 million.

OneSteel's Managing Director and Chief Executive Officer, Mr Geoff Plummer said; "The company's overall performance for the half largely reflects the level of strength in the markets of our different businesses, with our international and resources focused businesses performing best.

"Our Iron Ore business was again the standout performer, with continued strong demand from China helping to deliver a record result for the half, while in steel manufacturing, our mining consumables businesses performed best.

"The acquisition of Anglo American's Moly-Cop and AltaSteel mining consumables businesses was completed on 31 December 2010. We now have a much greater exposure to the high growth global mining consumables sector, increasing our diversification from Australian construction and infrastructure cycles. Earnings from the acquired businesses for the 2010 calendar year were in line with expectations detailed at the time of announcement.

The performance of our Australian focused steel segments weakened further during the half due to the rapid appreciation in the Australian dollar and as demand remained weak from the impact of higher interest rates and the continuing effects of the Global Financial Crisis (GFC) on Australian construction.

"There was no resumption in the recovery of demand for our Australian steel businesses following its stall towards the end of the previous financial year. The weak trading environment became even more difficult during the half with margins impacted by the rapid appreciation of the Australian dollar.



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Internationally, higher raw material costs started to push up international steel prices in the second quarter, but this was not reflected in domestic prices in 2010 due to the appreciation in the Australian dollar. Historically, there has been a lag of around two to four months before Australian steel prices respond, and we are now seeing clear upward movement in domestic prices.

"While performance of our steel segments for the half is both disappointing and unacceptable, Australian prices have clearly started to recover and there are encouraging signs that volumes have bottomed. With steel making utilisation levels still well below normal, we remain strongly leveraged to volume as well as price improvements and have a lower cost base due to the initiatives implemented during and since the GFC," Mr Plummer said.

While our investment in Project Magnet again delivered significant value for shareholders through the performance of our Iron Ore segment, we continue to make good progress with Project Magnet Phase 2, aimed at increasing our reserves and resources and analysing opportunities for addressing supply chain bottlenecks and increasing iron ore sales. We currently have $135 million of exploration, infrastructure and mine expansion underway. Our exploration work in the last half has been encouraging and we expect to add to our iron ore reserves during this calendar year. We anticipate providing a further update on progress of the Project at the time of our full year results in August.

SEGMENT ANALYSIS

In the **Iron Ore** segment, total revenue was up 41% to $465 million for the half. The increase is due to higher prices and relatively flat sales volumes at just over 3 million tonnes. The increased sales revenue incorporates an increased proportion of sales of medium grade ore in the half. Demand from China continued to be strong, further increasing spot prices for iron ore and keeping them high compared to historical levels.

EBIT for the Iron Ore segment in the first half was up 144% to $276 million, due mainly to higher prices and lower freight rates.

In the **Recycling** segment, total revenue increased 45% to $714 million due to an 18% increase in ferrous sales volumes and a 63% increase in non-ferrous sales volumes, and higher average selling prices compared to the prior corresponding half.

The increase in ferrous sales volumes related mainly to continuing improvement in our US business. In Australia, sales volumes increased, but a large proportion of the increase related to low margin brokerage sales. Sales volumes in Australia were generally down 15%-20% compared to pre-GFC levels. Weak construction and industrial activity continued to affect the availability of scrap arisings in Australia during the half, leading to higher purchase prices for arisings and margin pressure, particularly in Queensland and Western Australia. Margins were also impacted by further appreciation in the Australian dollar.



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The business recorded an EBIT loss for the half of $5 million compared to an EBIT loss of $4 million for the prior corresponding half. The EBIT loss is due to weak ferrous sales volumes and ferrous margin pressure in Australia due to strong competition for the short supply of arisings, partly offset by improving domestic non-ferrous performance, operational cost savings and improving EBIT contributions from the International Recycling businesses.

In the **Manufacturing** and **Australian Distribution** segments, sales volumes were adversely impacted by continuing weak domestic construction activity exacerbated by: a further weakening in confidence levels due to factors such as uncertainty over the Federal election, the proposed mining tax, and the impact of a series of interest rate increases, as well as channel destocking related to the expectation of lower prices and disruptions to construction, rural and mining sectors as a result of very wet weather during the December quarter. Sales volumes in Manufacturing and Australian Distribution were around 15%-20% below normal levels during the half.

Margins were significantly impacted by downward pressure on sales prices due to the stronger Australian dollar in an environment of weak domestic construction activity. In addition to the impact of the appreciating currency on Australian prices, margins were also affected in the Manufacturing segment by higher raw material costs which were not able to be recovered in the half due to the lag in movement between international and Australian steel prices.

Across market sectors, resources, particularly mining consumables, continued to be strong, and activity in civil works has started to lift as some Government funded infrastructure projects commenced towards the latter part of the half. However, privately funded non-residential construction continued to be very weak due to credit availability issues. Despite activity in residential construction building improving during most of the previous financial year, the impact of a number of interest rate increases and lower Government incentives has seen generally weak activity in this half.

Both Manufacturing and Australian Distribution segments continued to focus on initiatives to lower their cost bases.

In the **Manufacturing** segment, total revenue decreased 6% to $1,396 million due to a 5% decline in sales volumes and a lower average sales price compared to the prior corresponding half. EBIT decreased to a loss of $71 million due to margin pressure from reduced volumes, lower prices and higher raw material costs, partly offset by cost savings related to initiatives implemented during and since the GFC.

Production levels at OneSteel's Sydney and Laverton electric arc furnaces were relatively flat compared to the prior corresponding period with an average capacity utilisation of approximately 70% for the half. Steelmake was 200 thousand tonnes at the Sydney Steel Mill and 250 thousand tonnes at Laverton for the first half of the 2011 financial year. In Whyalla, steelmake was 540 thousand tonnes and steelmake at the Waratah electric arc furnace was 120 thousand tonnes for the half. The above steelmake includes 100 thousand tonnes produced in preparation



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for the planned Whyalla blast furnace shut for repairs and re-design work scheduled to commence in the fourth quarter.

In the **Australian Distribution** segment, total revenue decreased 3% to $1,258 million due to a lower average selling price and generally weak sales volumes. EBIT decreased 80% to $10 million for the half due to margin pressure from lower prices, partly offset by cost savings.

## INTERIM DIVIDEND

The OneSteel Board announced today an unfranked interim dividend of 6 cents per share. The unfranked dividend is the result of insufficient franking credits. The extent to which OneSteel is able to frank future dividends will depend on the level of franking credits generated from tax paid in Australia, but we currently anticipate franking will re-commence in the 2012 financial year.

## OUTLOOK

In our international markets, the short term outlook remains positive for steel making raw materials and mining consumables.

In our Iron Ore and Recycling segments, the demand/supply balance for both iron ore and scrap steel is expected to keep prices at high levels compared to historical standards, but with continued volatility.

Iron ore sales volumes are on track to reach our target for the year of between 6.0 - 6.5 million tonnes, including approximately 2 million tonnes of medium grade ore. Extreme weather in December and January including flooding at the mine site has disrupted our mining and shipping schedule and we now expect sales for the year to be around the middle of this range.

In Recycling, earnings performance is expected to lift compared to the first half due to the impact of increasing prices, improving activity levels and cost savings. Our international Recycling businesses are expected to build on their improved first half performance, but trading conditions are expected to remain challenging for the Australian business until construction and industrial activity improves, lifting the supply of ferrous scrap arisings.

In Mining Consumables, the outlook is positive for our recently acquired businesses in the Americas and our existing businesses in the United States and Australasia due to continued strength in mining activity.

In our domestic steel businesses, margins early in the second half continue to be adversely impacted by delays between rising raw material costs and the increased domestic prices taking effect, and continuing generally weak volumes. However, there are encouraging signs that volumes have bottomed and that margins will improve in the fourth quarter as announced price increases take effect for a wide range of products and as volumes lift.



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International steel is expected to continue to show signs of recovery, and stronger steel prices, underpinned by higher raw material costs, are encouraging for domestic prices, which historically have lagged international steel price movements by around two to four months.

Domestic steel volumes are expected to lift through the second half from continued strength in the resources sector, and increased Government funded civil works projects which have recently commenced, or due to commence in the second half. Further improvements in demand will be subject to the extent and speed in economic recovery, particularly in the non-residential privately funded and residential construction sectors, which continue to be affected by factors such as credit availability and higher interest rates.

Recent wet weather across the east coast of Australia, plus flooding in Victoria and Queensland and the cyclone in North Queensland, is expected to result in the delay of a small amount of steel demand in the short term. However, over the medium term, steel demand should benefit from repair and rebuilding activity but the timing and extent of this will be subject to whether this leads to additional or a reallocation in Government and other spending.

Production and operating levels are expected to lift slightly in the second half, albeit still well short of full capacity. Steelmake at our Sydney and Laverton electric arc furnaces is expected to be approximately 560 - 580 thousand tonnes (85% utilisation), while steelmake at Whyalla and Waratah is expected to be around 380 thousand tonnes and 130 thousand tonnes respectively for the half. Production for the half is expected to include approximately 80 thousand tonnes related to preparation for the scheduled blast furnace repair/re-design work in the fourth quarter.

The high level of uncertainty around key factors that affect OneSteel's earnings for the balance of the financial year, such as: the foreign exchange rate, domestic and international prices for steel and steelmaking inputs and the rate of recovery in the economy, means that it is not appropriate to provide quantitative earnings guidance at this time.

In the longer term, we remain confident that we will see improvements in the fundamentals for our key domestic and international steel markets.

In Mining Consumables, the longer term outlook is for continued strong growth due to increased mining activity. Increasing demand in our grinding media businesses is expected to be underpinned particularly by strong demand for copper and gold.

In our Australian steel businesses, we have confidence that domestic steel demand will improve through increased activity associated with improving economic conditions.

We believe that prices for steelmaking inputs will be high compared to historical standards, although with volatility, and underpin improved prices for international and domestic steel over the longer term.



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*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 Half-Year Financial Results for the period ended 31 December 2010 and should be read in conjunction with the other Interim 2011 financial results materials including the Review of Operations, 1H11 Results Presentation and the Half-Year Financial Report for the 6 months to 31 December 2010.

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# FINANCIAL RATIOS
## HALF-YEAR ENDED

| | Dec10[1] $m | Dec09[2] $m | Change % |
|---|---|---|---|
| **Sales Revenue** | **3,315** | 2,974 | 11% |
| **Other Revenue/Income** | **12** | 17 | (29%) |
| **Total Income** | **3,327** | 2,991 | 11% |
| **Gross Profit** | **646** | 684 | (6%) |
| | | | |
| **EBITDA - Underlying** | **316** | 298 | 6% |
| **Depreciation & Amortisation** | **(101)** | (99) | 2% |
| **EBIT - Underlying** | **215** | 199 | 8% |
| **Finance costs** | **(46)** | (45) | 2% |
| **Earnings before tax - Underlying** | **169** | 154 | 10% |
| **Tax expense - Underlying** | **(41)** | (34) | 21% |
| **Profit after tax - Underlying** | **128** | 120 | 7% |
| **Minority Interests** | **(3)** | (1) | 200% |
| **Net Profit After Tax - Underlying** | **125** | 119 | 5% |
| **Net Profit after Tax - Statutory** | **116** | 117 | (1%) |
| | | | |
| **Total Assets** | **8,171** | 6,730 | 21% |
| **Inventory** | **1,691** | 1,270 | 33% |
| **Total Liabilities** | **3,691** | 2,347 | 57% |
| **Funds Employed** | **6,371** | 5,352 | 19% |
| **Total Equity** | **4,480** | 4,382 | 2% |
| **Net Debt** | **1,892** | 970 | 95% |
| **Net Debt[3] (incl hedging)** | **1,951** | 1,083 | 80% |
| | | | |
| **Number of shares on issue (millions)** | **1,335** | 1,328 | 0% |
| | | | |
| **Operating Cash flow** | **157** | 324 | (52%) |
| **Free Cash Flow - Underlying** | **65** | 259 | (75%) |
| **Free Cash Flow** | **58** | 253 | 77% |
| **Capital and investment expenditure** | **1,092** | 71 | 1438% |
| | | | |
| **Return on Assets % - Underlying** | **5.6%** | 5.8% | -0.2 pts |
| **Return on Equity % - Underlying** | **5.7%** | 5.5% | 0.2 pts |
| **Return on Funds Employed % (ROFE) - Underlying** | **7.3%** | 7.3% | 0 pts |
| **Sales Margin** | **6.5%** | 6.7% | -0.2 pts |
| **Gross Profit Margin** | **19.5%** | 23.0% | -3.5 pts |
| **Earnings Per Share (cents) - Underlying (weighted ave)** | **9.4** | 9.0 | 5% |
| **Dividends per share (cents)** | **6.0** | 5.0 | 1 cents |
| **Dividend payout ratio - Underlying** | **64.2%** | 55.8% | 8.4 pts |
| **Dividend payout ratio - Statutory** | **68.9%** | 56.6% | 12.4 pts |
| **Gearing - Statutory (net debt/net debt + equity)** | **29.7%** | 18.1% | 11.6 pts |
| **Gearing - incl hedging (net debt/net debt + equity)[3]** | **30.3%** | 19.8% | 10.5pts |
| **Interest cover (times EBITDA)** | **6.9** | 6.7 | 0.2 times |
| **Net tangible assets per share ($)** | **1.34** | 1.72 | (22%) |
| | | | |
| **Employees** | **11,549** | 10,574 | 9% |
| **Sales per employee ($000s)** | **287** | 281 | 2% |
| | | | |
| **Raw steel production** | **1.11** | 1.14 | (3%) |
| **Steel tonnes despatched** | **1.35** | 1.34 | 1% |

1. Dec 10 underlying results are before the impact of direct costs relating to the acquisition of the Moly-Cop Group of $8.5m, net of tax.
2. Dec 09 underlying results are before the impact of restructuring activities of $1.6m, net of tax.
3. Includes the impact of swaps hedging foreign currency denominated debt.

# REVIEW OF OPERATIONS

## 6 MONTHS TO 31 DECEMBER 2010

### KEY POINTS

- Statutory net profit after tax down 1% to $116 million
- Underlying net profit after tax up 5% to $125 million
- Statutory operating cash flow $157 million
- Interim dividend 6 cents per share unfranked
- Underlying EBIT up 8% to $215 million
- Iron ore sales volume 3.1 million tonnes
- Iron Ore EBIT up 144% to $276 million
- Recycling EBIT loss of $5 million
- Australian Distribution EBIT of $10 million
- Manufacturing EBIT loss $71 million
- Mining consumables acquisition of Moly-Cop and AltaSteel completed
- Gearing increased to 29.7% (statutory) due to acquisition
- Raw steel production decreased 3% to 1.11 million tonnes

### FINANCIAL OVERVIEW - 6 MONTHS TO 31 DECEMBER

| | STATUTORY | | UNDERLYING | |
|---|---|---|---|---|
| | **1H11 $M** | **1H10 $M** | **1H11 $M** | **1H10 $M** |
| Sales revenue | 3,315 | ↑ 11% from 2,974 | 3,315 | ↑ 11% from 2,974 |
| Earnings before interest, tax, depreciation & amortisation **(EBITDA)** | 303 | ↑ 3% from 296 | 316 | ↑ 6% from 298 |
| Depreciation & amortisation | 101 | ↑ 2% from 99 | 101 | ↑ 2% from 99 |
| Earnings before interest and tax **(EBIT)** | 203 | ↑ 3% from 197 | 215 | ↑ 8% from 199 |
| Finance costs | 46 | ↑ 2% from 45 | 46 | ↑ 2% from 45 |
| Net profit after tax and minorities **(NPAT)** | 116 | ↓ 1% from 117 | 125 | ↑ 5% from 119 |
| Earnings per share **(EPS)** weighted average | 8.8 cents | ↓ 1% from 8.9 cents | 9.4 cents | ↑ 5% from 9.0 cents |
| Operating cash flow | 157 | ↓ 52% from 324 | 164 | ↓ 50% from 329 |
| Return on funds employed **(ROFE)** | 6.9% | ↓ from 7.2% | 7.3% | — from 7.3% |
| Return on equity **(ROE)** | 5.3% | ↓ from 5.4% | 5.7% | ↑ from 5.5% |
| Gearing (net debt/net debt + equity) | 29.7% | ↑ from 18.1% | 30.3% | ↑ from 19.8% |
| Net debt | 1,892 | ↑ 95% from 970 | 1,951 | ↑ 80% from 1,083 |
| Interim dividend per share | 6 | ↑ from 5 cents | 6 | ↑ from 5 cents |

### OPERATIONAL OVERVIEW - 6 MONTHS TO 31 DECEMBER

| | MT | 1H10 |
|---|---|---|
| Total Australian steel tonnes despatched | 1.35 | ↑ from 1.34mt |
| • Domestic tonnes despatched | 1.25 | - from 1.25mt |
| • Export tonnes despatched | 0.10 | ↑ from 0.09mt |
| Total raw steel production | 1.11 | ↓ from 1.14mt |
| Iron ore tonnes sold | 3.06 | ↓ from 3.19mt |
| Medium grade ore sold | 1.05 | ↑ from 0.18mt |
| Recycled metals – ferrous tonnes sold | 0.98 | ↑ from 0.83mt |

| **Operational Overview** - 6 months to 31 December | MT | 1H10 |
|---|---|---|
| Recycled metals – non-ferrous tonnes sold | 0.13 | ↑ from 0.08mt |
| Staff numbers | 11,549 | ↑ 9% from 10,574 |
| • Sales per staff member | $287,000 | ↑ 2% from $281,000 |
| Safety Performance | | |
| • Lost Time Injury Frequency Rate | 1.4 | ↑ from 1.3 |
| • Medical Treatment Injury Frequency Rate | 6.3 | ↓ from 8.5 |

The underlying results reported are before the impact of direct costs related to the acquisition of the Moly-Cop and AltaSteel businesses. The commentary below refers to the underlying results.

## Company Overview

**Sales revenue** for the six months to 31 December 2010 increased 11% to $3,315 million due to higher sales revenue in the Iron Ore and Recycling segments, partly offset by lower sales revenue in the Manufacturing, Australian Distribution and New Zealand Distribution segments.

Revenue for the Iron Ore segment increased 41% to $465 million from $331 million in the prior corresponding half. The increase was due to higher iron ore prices as a result of continued strong demand. Sales volumes were relatively flat at 3.06 million tonnes from 3.19 million tonnes in the prior corresponding half. Iron ore tonnes sold in the first half include an increase in medium grade ore to 1.05 million tonnes from 0.18 million tonnes.

In the Recycling segment, revenue increased 45% to $714 million compared to $492 million in the prior corresponding half. A modest improvement in demand led to increased sales volumes and a higher average sales price for both ferrous and non-ferrous scrap. Ferrous tonnes sold increased to 0.98 million tonnes from 0.83 million tonnes in the prior half, while non-ferrous tonnes sold increased from 0.08 million tonnes to 0.13 million tonnes. Ferrous sales volumes in Australia were well below pre-GFC levels.

Revenue in the Manufacturing and Australian Distribution segments was down 6% to $1,396 million and 3% to $1,258 million respectively, due to weaker selling prices and a 5% decrease in Manufacturing sales volumes and flat Australian Distribution volumes. There was no resumption in the half of the domestic recovery following its stall towards the end of the previous financial year. Sales volumes in Manufacturing and Australian Distribution were 15% - 20% below normal levels. The decline in selling prices was due to weaker international steel prices and the impact of the appreciation in the Australian dollar in an environment of weak demand.

**Earnings before interest, tax, depreciation and amortisation** (EBITDA) was $316 million for the half, an increase of 6% over the prior corresponding half due to increased earnings in the Iron Ore and New Zealand Distribution segments, partly offset by lower earnings in the other segments.

**Finance costs** were $46 million, up from $45 million in the prior corresponding period. The average interest rate for the period was largely unchanged from the prior period.

The **sales margin** for the half decreased to 6.5% from 6.7% in the prior corresponding half due to weaker performances in the Recycling, Manufacturing and Australian Distribution segments, counteracting the improved margins in the Iron Ore and New Zealand Distribution segments.

**Net profit after tax and minorities** for the period was $125 million, up from $119 million for the prior corresponding half due to significantly improved earnings from the Iron Ore segment. Statutory net profit after tax decreased to $116 million for the period, down on the $117 million for the prior period. Earnings per share for the six months to 31 December 2010 (weighted average) was 9.4 cents, up from 9.0 cents for the previous corresponding half.

The **effective tax rate** of 24% largely reflects the company tax rate of 30% less the benefit of R&D tax allowances and tax refund arising from previous years' tax return amendment.

### SEGMENT OVERVIEW[1,2]

### IRON ORE

| 6 MONTHS TO | DEC-10 $M | DEC-09 $M | % CHG |
|---|---|---|---|
| **Total Revenue/Income** | **465** | 331 | 41 |
| **EBITDA - Underlying** | **290** | 126 | 130 |
| **EBIT - Underlying** | **276** | 113 | 144 |
| **Sales Margin (EBIT)** | **59.2%** | 34.1% | 25.1pts |
| **Assets** | **850** | 795 | 7 |
| **Funds Employed** | **736** | 708 | 4 |
| **Return on Funds Employed (%)** | **75.8%** | 32.4% | 43.4pts |
| **Employees (number)** | **338** | 352 | (4) |

Revenue increased 41% to $465 million due to higher iron ore prices reflecting continued strong demand from China. Sales volumes were relatively flat at 3.06 million tonnes compared to 3.19 million tonnes for the previous corresponding half. The iron ore supply chain, mining through to trans-shipping, operated in its current capacity range of 6.0 – 6.5 million tonnes including an increased proportion of medium grade ore, despite poor weather towards the end of the half that adversely affected mining operations and shipping.

The business has been undertaking detailed planning to determine the sequencing and scheduling of reserves added through its exploration program and, as a result, has moved to selectively mine and sell an increased proportion of medium grade ore. During the half, medium grade ore sales were 1.05 million tonnes, in line with the company's guidance of approximately 2.0 million tonnes for this financial year.

Pellet sales for the half were 80 thousand tonnes, and include 40 thousand tonnes of excess pellets generated as a result of the Whyalla blast furnace interruption in the last quarter of the previous financial year.

The business continues to progress work to identify and increase iron ore reserves and resources under Project Magnet Phase 2. Progress continued to be encouraging and an update will be provided at FY11 full year results. We remain confident based on our reserves of hematite ore and our ability to beneficiate low grade ore that there will be sufficient reserves of hematite ore to enable external sales at the rate of 6 million tonnes per annum to at least 2020. Non-ferrous drill targets have been identified for CY2011 with the required geological staff sourced and secured.

EBIT for the segment increased 144% to $276 million compared to $113 million for the prior year due largely to higher iron ore prices and lower average freight rates compared to the prior corresponding half.

Looking ahead, we expect to see the iron ore and pellet demand to remain strong. We expect prices to continue to be volatile, but remain high compared to historical levels over the short to medium term.

[1] Segment revenues reported include inter-segment sales

[2] The 1H10 results for the Iron Ore and Manufacturing segments have been restated to reflect changes in organisation structure announced in February 2010 effective from 1 July 2009. The pellet plant operations previously reported as part of the Manufacturing segment are now reported as part of the Iron Ore segment.

## RECYCLING

| 6 MONTHS TO | DEC-10 $M | DEC-09 $M | % CHG |
|---|---|---|---|
| **Total Revenue/Income** | **714** | 492 | 45 |
| **EBITDA - Underlying** | **3** | 4 | (16) |
| **EBIT - Underlying** | **(5)** | (4) | 47 |
| **Sales Margin (EBIT)** | **(0.7%)** | (0.7%) | - |
| **Assets** | **647** | 614 | 5 |
| **Funds Employed** | **568** | 549 | 3 |
| **Return on Funds Employed (%)** | **(1.8%)** | (1.3%) | (0.5pts) |
| **Employees (number)** | **1,017** | 962 | 6 |

In the **Recycling** segment, revenue increased 45% to $714 million due to higher average prices and an increase in both ferrous and non-ferrous sales volumes.

International demand for scrap metal during the half trended up, helping to lift US dollar sales prices in both ferrous and non-ferrous markets. However, Australian dollar prices were significantly impacted by the appreciation in the Australian dollar, particularly in the second quarter.

In Australia, the ferrous market remained challenging during the half, as weak industrial and construction activity continued to affect the availability of scrap arisings, leading to high purchase prices of scrap arisings and margin pressure. In the United States, the scrap metal market strengthened during the half, with both ferrous and non-ferrous markets finishing 2010 strongly.

Ferrous sales volumes lifted 18% to 980 thousand tonnes, but this was off a very low base. Most of the increase related mainly to continuing improvement in the US business. In Australia, sales volumes increased but a large proportion of the increase related to low margin brokerage sales. Compared to pre-GFC levels, ferrous sales volumes continued to be down around 15-20% in Australia. Non-ferrous volumes were up 63% on the prior corresponding half at 130 thousand tonnes, with both demand and prices showing steady improvements.

The acquisition of the Metals Trading and Ace Metals businesses at the end of the previous period has helped improve the Australian Recycling business's competitive position particularly in Victoria, helping to secure volumes at source. Operational synergies from the closure of two scrap yards during the half are expected to be reflected in cost benefits in the second half.

EBIT for the half was a loss of $5 million compared to a loss of $4 million for the prior corresponding half. The EBIT loss was due to the impact of the appreciation in the Australian dollar and continued weakness in the Australian business, particularly in Queensland and Western Australia. The weak Australian business performance counteracted the stronger and positive EBIT performances in the US and Asian businesses. EBIT for the Australian business continued to be impacted by low sales volumes, high purchase prices for scrap due to their short supply, and the impact of the appreciation in the Australian dollar. The business remains focused on operational improvements and cost savings.

Looking ahead, we expect the current strength in scrap prices to improve profit performance over the balance of the year, supported by cost reduction initiatives undertaken during the half and those planned to be implemented during the second half. The business continues to improve equipment utilisation and trading capacities to enable the business to take advantage of increased volumes as the economy recovers.

## MANUFACTURING

| 6 MONTHS TO | DEC-10 $M | DEC-09 $M | % CHG |
|---|---|---|---|
| **Total Revenue/Income** | **1,396** | 1,479 | (6) |
| **EBITDA - Underlying** | **(12)** | 130 | (109) |
| **EBIT - Underlying** | **(71)** | 72 | (199) |
| **Sales Margin (EBIT)** | **(5.1%)** | 4.9% | (10pts) |
| **Assets** | **3,639** | 3,583 | 2 |
| **Funds Employed** | **3,079** | 3,058 | 1 |
| **Return on Funds Employed (%)** | **(4.6%)** | 4.6% | (9.2pts) |
| **Employees (number)** | **4,289** | 4,300 | (0.3) |

In the **Manufacturing** segment, revenue was down 6% to $1,396 million due to the impact of lower average selling prices and a decline in sales volumes.

There was no resumption in the recovery in domestic demand following its stall towards the end of the previous financial year. Sales volumes were adversely impacted by continuing weak domestic construction activity exacerbated by a further weakening in confidence levels due to factors such as uncertainty over the Federal election, the proposed mining tax, as well as channel destocking related to decreasing price expectations and wet weather towards the end of the year. Sales volumes in Manufacturing were around 20% below normal levels during the half.

Margins continued to be adversely impacted by the low level of sales volumes, as well as additionally this half, and the effect of reduced Australian dollar prices caused by the rapid appreciation in the Australian dollar. Margins were also impacted by higher raw material costs which were not recovered in prices due to the competitive environment. International steel prices started to improve near the end of the first half, but historically there has been a lag of two to four months before domestic prices lift.

At **Waratah,** both the **Grinding Media** and **Rail** businesses faced pressure during the half due to the impact of the higher Australian dollar. Pricing strategies were implemented and were successful in retaining key customers, but resulted in some margin pressure.

The **Rod and Bar** business continued to be adversely impacted by weak construction activity. Sales volumes from the Steel in Concrete segment were down 7% compared to the prior corresponding half, reflecting weaker demand from privately funded non-residential construction, cessation of Federal Government spending on the BER and lower new housing starts. Prices were also lower than in the prior corresponding half due to the stronger Australian dollar. Mebar volumes were down significantly compared to the prior corresponding period due to destocking in the distribution channel. Margins were adversely impacted by weaker prices due to the impact of the stronger Australian dollar and higher raw material costs.

Sales volumes in the **Wire** business were generally in line with the prior corresponding half with the exception of rural and manufacturers' sales, which were slightly lower due to the rural market remaining subdued from prolonged drought and recent flooding. The average wire price was also slightly down due to the impact of the stronger Australian dollar.

In the **Australian Tube Mills** business, volumes for the half were flat compared to the prior corresponding half, but down on the second half of FY10 due to de-stocking of distributors, resellers and end users as prices trended down during the half. Margins were adversely affected by the impact of the stronger Australian dollar on competition.

**LiteSteel™ Technologies** market penetration in Australia during the half softened due to the winding down of Government stimulus (BER) and weak activity in residential construction. The business continues to develop other commercial applications such as residential flooring solutions. In the US, growth rates will be conditional on the recovery of the US economy and core construction markets. The business is continuing to support its marketing partner, Maruichi Steel Tube Ltd in the Japanese domestic market.

**Steel production** for the half decreased 3% to 1.11 million tonnes. This includes 100 thousand tonnes of inventory build in preparation for the planned blast furnace repair/re-design scheduled to commence in May. Steel production for the half was 200 thousand tonnes at Sydney and 250 thousand tonnes at Laverton. Our electric arc furnace at Waratah, Newcastle finished the half with steel production of 120 thousand tonnes. Production at Whyalla was 540 thousand tonnes for the half.

The businesses continued to focus on cost and efficiency improvements during the half. These initiatives led to favourable outcomes in areas including overheads, labour, electricity purchasing and freight.

The high Australian dollar and the impact of lower prices and weak demand resulted in significant margin pressure during the half. Despite these challenges, market share was generally maintained as the business focused on increasing customer responsiveness and pricing initiatives.

EBIT for the half decreased significantly to a loss of $71 million compared to EBIT of $72 million for the prior corresponding half. The weak performance for the half was the result of all key drivers being adverse at the same time. These include deterioration in the external environment with weak domestic demand leading into the half, further deteriorating due to channel destocking in response to international steel prices trending down, the stronger Australian dollar adversely impacting prices, higher raw material costs, and the inclusion of high cost inventory at the start of the half related to the blast furnace interruption in the fourth quarter of the prior financial year.

Looking ahead, in the short term, volumes are expected to improve during the second half on the back of market confidence, expectation of price increases driving some customer stock rebuild and planned Government infrastructure initiatives. The outlook remains challenging for residential, and privately funded non-residential construction, whilst mining consumables is expected to remain strong. The high Australian dollar, together with excess international steel capacity is expected to continue to impact margins in the commodity end of the business in the short term. The Manufacturing segment continues to focus on cost reduction initiatives. However, it is expected that price increases flowing from higher international prices and recent relative foreign exchange stability will lead to higher domestic pricing and some restoration of margins.

### AUSTRALIAN DISTRIBUTION

| 6 MONTHS TO | DEC-10 $M | DEC-09 $M | % CHG |
|---|---|---|---|
| **Total Revenue/Income** | **1,258** | 1,296 | (3) |
| **EBITDA - Underlying** | **25** | 67 | (63) |
| **EBIT - Underlying** | **10** | 51 | (80) |
| **Sales Margin (EBIT)** | **0.8%** | 3.9% | (3.1pts) |
| **Assets** | **1,458** | 1,481 | (2) |
| **Funds Employed** | **1,148** | 1,181 | (3) |
| **Return on Funds Employed (%)** | **1.8%** | 8.7% | (6.9pts) |
| **Employees (number)** | **3,491** | 3,637 | (4) |

In the **Australian Distribution** segment, revenue decreased 3% to $1,258 million due a lower average selling price, reflecting the strong appreciation in the Australian dollar. EBIT decreased to $10 million from $51 million for the prior corresponding period due mainly to lower prices, partly offset by lower input costs and cost savings. The sales margin decreased 3.1 percentage points to 0.8%, compared to 3.9% for the prior corresponding period.

The slow down in activity levels experienced towards the end of the previous financial year continued through the first half. In addition to confidence levels being impacted by factors such as uncertainty around the proposed Government mining tax, the Federal election, doubt in international steel markets and higher interest rates, further appreciation of the Australian dollar adversely impacted domestic prices. Domestic demand also weakened due to channel destocking in response to steel prices trending down. Margins came under further pressure during the half due to continued low volumes and the reduction in prices. The businesses generally maintained their market positions despite the adverse external environment.

During the half the business commenced the consolidation of the Steel & Tube and Metaland management structures, as well as consolidation of the Sheet, Coil & Aluminium and Piping System management structures. The initiatives are designed to reduce costs and improve customer focus and responsiveness.

In the **Metaland/Steel & Tube** businesses, market activity continued to be affected by weak infrastructure spending and weak levels of commercial construction, partly offset by buoyant mining investment activity. Sales volumes were down slightly compared to the same corresponding half. Low activity levels and falling steel prices and the appreciation of the Australian dollar led to generally reduced prices. Price sentiment improved late in the half as global commodity prices started to rise significantly.

In the **Sheet, Coil & Aluminium/Piping Systems** businesses revenues increased 18% compared to the prior corresponding half due mainly to increased revenue from Oil and Gas projects with continued volume growth in most parts of the business. Piping Systems margins remained relatively strong during the half.

In the **Steel in Concrete** businesses, volumes were down compared to the corresponding previous half due to higher interest rates, the cessation of the Federal Government's BER program and record levels of wet weather along the east coast of Australia. The residential housing market was flat to slightly down compared to the prior corresponding half, with South East Queensland experiencing particularly weak residential demand. Prices were also down compared to the prior corresponding half due to the impact of the stronger Australian dollar. Margins were adversely affected as selling prices reduced faster than input costs.

Looking ahead, the first half of the 2011 calendar year is expected to continue to be challenging with improvements in the second half expected as larger infrastructure projects commence and as confidence levels lift.

### NEW ZEALAND DISTRIBUTION

| 6 Months to | DEC-10 $M | DEC-09 $M | % chg |
|---|---|---|---|
| **Total Revenue/Income** | **149** | 155 | (3) |
| **EBITDA - Underlying** | **12** | 7 | 65 |
| **EBIT - Underlying** | **10** | 5 | 102 |
| **Sales Margin (EBIT)** | **6.5%** | 3.1% | 3.4pts |
| **Assets** | **158** | 160 | (1) |
| **Funds Employed** | **109** | 136 | (20) |
| **Return on Funds Employed (%)** | **17.3%** | 6.6% | 10.7pts |
| **Employees (number)** | **708** | 746 | (5) |

Revenue decreased 3% to $149 million compared to the prior corresponding half primarily due to reduced steel prices. EBIT increased to $10 million due to increased volumes, partly offset by lower sales prices. Volumes increased 6% compared to the prior corresponding period due to a gradual improvement in the economy, albeit volumes remain well below historical levels. The sales margin increased 3.4 percentage points to 6.5% for the period.

There was marginal improvement in most market sectors over the half, with significant volatility month on month. Commercial construction continues to decline with little improvement foreseeable in the short term. Management has successfully implemented a new operating model aimed at advancing the strengths of the business's product range and geographic coverage with customers.

The business continued to implement initiatives to reduce overheads and strengthen the balance sheet, including the rationalisation of premises, the reduction of operating expenses and a focus on debtors and inventory management.

The business sustained very minor damage to facilities and stock due to the Christchurch earthquake and is working with those organisations leading the rebuild activity.

The business continued to improve on health and safety performance, with zero lost time incidents achieved for the half.

Despite the subdued market conditions, Steel & Tube has maintained a steady market share position in its core products. Margins continue to be impacted by strong competition, but recovered to some degree with price increases during the half, although still below the prior corresponding period.

Looking ahead, the economic outlook remains subdued, with growth expected to be slow and gradual. The business expects residential and non-residential sectors, with the exception of infrastructure, to remain soft with any improvement to be off very low bases. The Christchurch rebuild should offer some upside, however initial timeframes have been delayed. Steel pricing is likely to remain volatile with rising raw material costs, volatile NZD and the impacts from the floods adding to the volatility. The business expects to see a slow and gradual improvement across most sectors, with the exception of commercial construction where further contraction is expected in the short term. The business is well placed to benefit from any recovery, with internal initiatives expected to provide some uplift in performance.

## ONESTEEL OUTLOOK

### Short term

In our international markets, the short term outlook remains positive for steel making raw materials and mining consumables.

In our Iron Ore and Recycling segments, the demand/supply balance for both iron ore and scrap steel is expected to keep prices at high levels compared to historical standards, but with continued volatility.

Iron ore sales volumes are on track to reach our target for the year of between 6.0 - 6.5 million tonnes, including approximately 2 million tonnes of medium grade ore. Extreme weather in December and January including flooding at the mine site has disrupted our mining and shipping schedule and has resulted in expected sales for the year now being around the middle of this range.

In Recycling, earnings performance is expected to lift compared to the first half due to the impact of increasing prices, improving activity levels and cost savings. Our international recycling businesses are expected to build on their improved first half performance, but trading conditions are expected to remain challenging for the Australian business until construction and industrial activity improves, lifting the supply of ferrous scrap arisings.

In Mining Consumables, the outlook is positive for our recently acquired businesses in the Americas and our existing businesses in the United States and Australasia due to continued strength in mining activity.

In our Australian steel businesses, margins early in the second half continue to be adversely impacted by delays between rising raw material costs and the increased domestic prices taking effect, and continuing generally weak volumes. However, there are encouraging signs that volumes have bottomed and that margins will improve in the fourth quarter as volumes lift and announced price increases take effect for a wide range of products.

International steel is expected to continue to show signs of recovery, and stronger steel prices, underpinned by higher raw material costs, are encouraging for domestic prices, which historically have lagged international steel price movements by around two to four months.

Domestic steel volumes are expected to lift through the second half from continued strength in the resources sector, and increased Government funded civil works projects which have recently commenced, or due to commence in the second half. Further improvements in demand will be subject to the extent and speed in economic recovery, particularly in the non-residential privately funded and residential sectors, which continue to be affected by factors such as credit availability and higher interest rates.

Recent wet weather across the east coast of Australia, plus flooding in Victoria and Queensland and the cyclone in North Queensland, is expected to result in the delay of a small amount of steel demand in the short term. However, over the medium term, steel demand should benefit from repair and rebuilding activity, but the extent and timing will be subject to whether this leads to additional or a reallocation in Government and other spending.

Production and operating levels are expected to lift slightly in the second half, albeit still well short of full capacity. Steelmake at our Sydney and Laverton electric arc furnaces is expected to be approximately 560 - 580 thousand tonnes (85% utilisation), while steelmake at Whyalla and Waratah is expected to be around 380 thousand tonnes and 130 thousand tonnes respectively for the half. Production for the half is expected to include approximately 80 thousand tonnes related to scheduled blast furnace repair/redesign work in the fourth quarter.

The high level of uncertainty around key factors that affect OneSteel's earnings for the balance of the financial year, such as: the foreign exchange rate, domestic and international prices for steel and steelmaking inputs and the rate of recovery in the economy, means that it is not appropriate to provide quantitative earnings guidance at this time.

**Longer Term**

In the longer term, we remain confident that we will see improvements in the fundamentals for our key domestic and international steel markets.

In Mining Consumables, the longer term outlook is for continued strong growth due to increased mining activity. Increasing demand in our grinding media businesses is expected to be underpinned particularly by strong demand for copper and gold.

In our Australian steel businesses, we have confidence that domestic steel demand will improve through increased activity associated with improving economic conditions.

We believe that prices for steelmaking inputs will be high compared to historical standards, although with volatility, and underpin improved prices for international and domestic steel over the longer term.

## FINANCIAL SUMMARY

| Profit & Loss Summary - Underlying | 2010 | 2009 | 2008 | 2007[2] | 2006 | 2005 | 2004[1] | 2003[1] | 2002[1] | 2001[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| Half-year ended 31 December | $m | $m | $m | $m | $m | $m | $m | $m | $m | $m |
| **Total Revenue/Income** | **3,327.5** | **2,991.0** | **4,175.5** | **3,251.9** | **2,151.0** | **2,005.1** | **1,908.0** | **1,602.1** | **1,539.0** | **1,510.0** |
| **Earnings before interest, tax, depreciation and amortisation** | **315.5** | **297.8** | **498.5** | **288.4** | **218.0** | **203.5** | **173.7** | **146.9** | **168.2** | **125.6** |
| Depreciation & Amortisation | (100.6) | (98.7) | (98.0) | (86.1) | (48.1) | (47.4) | (45.0) | (43.1) | (43.3) | (43.4) |
| **Earnings before Interest and Tax** | **214.9** | **199.1** | **400.5** | **202.3** | **169.9** | **156.1** | **128.7** | **103.8** | **124.9** | **82.2** |
| Finance costs | (46.0) | (44.6) | (101.6) | (67.0) | (26.3) | (29.4) | (23.9) | (20.8) | (22.9) | (30.6) |
| **Earnings before Tax** | **168.9** | **154.5** | **298.9** | **135.3** | **143.6** | **126.7** | **104.8** | **83.0** | **102.0** | **51.6** |
| Tax Expense | (40.9) | (34.3) | (75.1) | (37.6) | (39.2) | (34.5) | (25.5) | (22.0) | (32.5) | (19.1) |
| **Profit after Tax** | **128.0** | **120.2** | **223.8** | **97.7** | **104.4** | **92.2** | **79.3** | **61.0** | **69.5** | **32.5** |
| Minority interests | (3.3) | (1.2) | (8.7) | (4.3) | (6.2) | (8.1) | (9.0) | (5.2) | (4.7) | (3.6) |
| **Net Profit after Tax** | **124.7** | **119.0** | **215.1** | **93.4** | **98.2** | **84.1** | **70.3** | **55.8** | **64.8** | **28.9** |

| Cashflow Summary | 2010 | 2009 | 2008 | 2007[2] | 2006 | 2005 | 2004[1] | 2003[1] | 2002[1] | 2001[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| Half-year ended 31 December | $m | $m | $m | $m | $m | $m | $m | $m | $m | $m |
| Profit after tax adjusted for non-cash items | 112.1 | 110.4 | 214.8 | 80.8 | 102.0 | 92.4 | 78.3 | 53.4 | 69.5 | 31.2 |
| Depreciation, Amortisation & Impairment | 100.6 | 98.7 | 96.2 | 91.1 | 48.1 | 47.4 | 45.0 | 43.1 | 43.3 | 43.4 |
| Capital & investment expenditure | (1,091.7) | (71.1) | (105.5) | (585.8) | (177.0) | (114.9) | (63.6) | (45.0) | (26.4) | (22.1) |
| Working capital movements | (55.9) | 114.5 | (273.4) | (25.7) | (59.3) | (46.1) | (67.2) | (40.5) | (3.7) | (73.6) |
| Asset sales | 0.9 | 0.5 | 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** | **(934.0)** | **253.0** | **(35.6)** | **(438.6)** | **(82.7)** | **(18.8)** | **(3.2)** | **22.0** | **76.1** | **76.5** |
| Dividends paid | (81.6) | (56.2) | (122.2) | (96.7) | (63.3) | (48.8) | (45.1) | (41.1) | (22.6) | (18.9) |
| Capital movements | 2.2 | 3.6 | 17.5 | 22.4 | 17.4 | 8.9 | 8.3 | 9.6 | 5.4 | 66.2 |
| **Total Cash Flow** | **(1,013.4)** | **200.4** | **(140.3)** | **(512.9)** | **(128.6)** | **(58.7)** | **(40.0)** | **(9.5)** | **58.9** | **123.8** |

| Balance Sheet | 2010 | 2009 | 2008 | 2007(2) | 2006 | 2005 | 2004(1) | 2003(1) | 2002(1) | 2001(1) |
|---|---|---|---|---|---|---|---|---|---|---|
| As at 31 December | $m | $m | $m | $m | $m | $m | $m | $m | $m | $m |
| Cash | 141.5 | 88.5 | 29.8 | 84.2 | 20.8 | 37.0 | 12.9 | 14.5 | 25.3 | 26.9 |
| Receivables | 754.7 | 695.1 | 851.3 | 925.2 | 605.3 | 559.0 | 517.4 | 437.8 | 390.6 | 378.5 |
| Inventory | 1,690.6 | 1,270.4 | 1,727.7 | 1,308.5 | 888.8 | 840.2 | 758.8 | 646.5 | 626.0 | 608.0 |
| Property, plant and equipment | 2,494.1 | 2,312.2 | 2,395.5 | 2,322.3 | 1,460.1 | 1,249.4 | 1,088.7 | 1,153.5 | 1,143.6 | 1,179.3 |
| Intangibles | 2,637.0 | 2,037.5 | 2,134.7 | 2,085.2 | 218.2 | 230.6 | 231.8 | 250.0 | 251.9 | 242.0 |
| Other assets | 452.9 | 325.8 | 381.7 | 273.8 | 182.1 | 142.1 | 138.5 | 107.3 | 165.5 | 190.7 |
| **TOTAL ASSETS** | **8,170.8** | **6,729.5** | **7,520.7** | **6,999.2** | **3,375.3** | **3,058.3** | **2,748.1** | **2,609.6** | **2,602.9** | **2,625.4** |
| Interest-bearing liabilities | 2,033.1 | 1,058.4 | 2,299.6 | 2,069.8 | 773.9 | 697.0 | 521.9 | 511.4 | 537.9 | 649.1 |
| Creditors | 832.7 | 596.4 | 832.0 | 883.7 | 586.9 | 503.7 | 601.0 | 453.2 | 419.3 | 403.6 |
| Provisions | 447.6 | 383.0 | 403.9 | 398.8 | 212.7 | 203.9 | 195.4 | 185.6 | 206.7 | 231.8 |
| Other Liabilities | 377.8 | 309.5 | 328.7 | 284.1 | 230.6 | 215.3 | 147.6 | 155.3 | 167.9 | 140.2 |
| **TOTAL LIABILITIES** | **3,691.2** | **2,347.3** | **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** | **4,479.6** | **4,382.2** | **3,656.5** | **3,362.8** | **1,571.2** | **1,438.4** | **1,282.2** | **1,304.1** | **1,271.1** | **1,200.7** |
| Contributed equity | 3,753.3 | 3,738.8 | 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 | 56.9 | 59.8 | 65.6 | 60.7 | 61.6 | 64.0 | 59.7 | 51.5 | 57.6 | 48.9 |
| Retained earnings & Reserves | 669.4 | 583.6 | 641.4 | 388.5 | 366.2 | 256.2 | 120.2 | 163.3 | 141.5 | 88.7 |
| **TOTAL EQUITY** | **4,479.6** | **4,382.2** | **3,656.5** | **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 Smorgon Steel businesses have been included in the December 2007 financial information from the date of acquisition on 20 August 2007.

| **As at 31 December** | **Total Revenue/Income** | | | **EBITDA - Underlying** | | | **EBIT - Underlying** | | | **Assets** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| $ millions | **2010** | 2009 | % Chg | **2010** | 2009 | % Chg | **2010** | 2009 | % Chg | **2010** | 2009 | % Chg |
| Iron Ore[1] | **465.3** | 331.1 | 40.5 | **289.7** | 126.1 | 129.7 | **275.5** | 113.0 | 143.8 | **849.6** | 794.8 | 6.9 |
| Recycling | **714.4** | 492.1 | 45.20 | **3.2** | 3.8 | (15.8) | **(5.3)** | (3.6) | 47.2 | **647.0** | 614.0 | 5.4 |
| Manufacturing[1] | **1,396.3** | 1,478.5 | (5.6) | **(11.7)** | 130.1 | (109.0) | **(71.3)** | 72.0 | (199.0) | **3,639.0** | 3,583.2 | 1.6 |
| Australian Distribution | **1,257.5** | 1,295.7 | (2.9) | **24.8** | 66.6 | (62.8) | **10.2** | 51.0 | (80.0) | **1,457.7** | 1,481.4 | (1.6) |
| NZ Distribution | **149.3** | 154.5 | (3.4) | **12.2** | 7.4 | 64.9 | **9.7** | 4.8 | 102.1 | **158.2** | 160.1 | (1.2) |
| Unallocated | **7.9** | 2.6 | 203.8 | **(9.3)** | (25.8) | (64.0) | **(10.5)** | (27.7) | (62.1) | **1,540.9** | 280.9 | 448.6 |
| Intersegment eliminations | **(663.2)** | (763.5) | (13.1) | **6.6** | (10.4) | (163.5) | **6.6** | (10.4) | (163.5) | **(121.6)** | (184.9) | (34.2) |
| Consolidated | **3,327.5** | 2,991.0 | 11.3 | **315.5** | 297.8 | 5.9 | **214.9** | 199.1 | 7.9 | **8,170.8** | 6,729.5 | 21.4 |

¹ The December 2009 results for the Iron Ore and Manufacturing segments have been restated to reflect changes in organisation structure announced in February 2010 effective from 1 July 2009. The pellet plant operations previously reported as part of the Manufacturing segment are now reported as part of the Iron Ore segment.

| As at 31 December | Iron Ore[1] | | | Recycling | | | Manufacturing[1] | | | Australian Distribution | | | NZ Distribution | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| $ millions | **2010** | 2009 | % Chg | **2010** | 2009 | % Chg | **2010** | 2009 | % Chg | **2010** | 2009 | % Chg | **2010** | 2009 | % Chg |
| Total Revenue/Income | **465.3** | 331.1 | 40.5 | **714.4** | 492.1 | 45.2 | **1,396.3** | 1,478.5 | (5.6) | **1,257.5** | 1,295.7 | (2.9) | **149.3** | 154.5 | (3.4) |
| EBITDA - Underlying | **289.7** | 126.1 | 129.7 | **3.2** | 3.8 | (15.8) | **(11.7)** | 130.1 | (109.0) | **24.8** | 66.6 | (62.8) | **12.2** | 7.4 | 64.9 |
| EBIT - Underlying | **275.5** | 113.0 | 143.8 | **(5.3)** | (3.6) | 47.2 | **(71.3)** | 72.0 | (199.0) | **10.2** | 51.0 | (80.0) | **9.7** | 4.8 | 102.1 |
| Sales Margin (EBIT) | **59.2%** | 34.1% | 25.1pts | **(0.7%)** | (0.7%) | 0pts | **(5.1%)** | 4.9% | -10pts | **0.8%** | 3.9% | -3.1pts | **6.5%** | 3.1% | 3.4pts |
| Assets | **849.6** | 794.8 | 6.9 | **647.0** | 614.0 | 5.4 | **3,639.0** | 3,583.2 | 1.6 | **1,457.7** | 1,481.4 | (1.6) | **158.2** | 160.1 | (1.2) |
| Funds Employed | **735.7** | 708.0 | 3.9 | **567.5** | 548.9 | 3.4 | **3,078.6** | 3,057.7 | 0.7 | **1,147.9** | 1,180.5 | (2.8) | **109.4** | 136.4 | (19.8) |
| Return on Funds Employed (%) | **75.8%** | 32.4% | 43.4pts | **(1.8%)** | (1.3%) | -0.5pts | **(4.6%)** | 4.6% | -9.2pts | **1.8%** | 8.7% | -6.9pts | **17.3%** | 6.6% | 10.7pts |
| Employees (number) | **338** | 352 | (4.0) | **1,017** | 962 | 5.7 | **4,289** | 4,300 | (0.3) | **3,491** | 3,637 | (4.0) | **708** | 746 | (5.1) |

¹ The December 2009 results for the Iron Ore and Manufacturing segments have been restated to reflect changes in organisation structure announced in February 2010 effective from 1 July 2009. The pellet plant operations previously reported as part of the Manufacturing segment are now reported as part of the Iron Ore segment.

**RECONCILIATION OF STATUTORY RESULT TO UNDERLYING RESULT**
**Half-Year ended 31 December**
**$A millions**

| Variances between Underlying and Statutory Earnings | EBITDA | | EBIT | | Profit before tax | | Net profit after tax | | Tax benefit / (expense) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1H11 $m | 1H10 $m | 1H11 $m | 1H10 $m | 1H11 $m | 1H10 $m | 1H11 $m | 1H10 $m | 1H11 $m | 1H10 $m |
| **Statutory result** | **303** | 296 | **203** | 197 | **157** | 152 | **116** | 117 | **(41)** | (34) |
| Acquisition costs[1] | **12** | - | **12** | - | **12** | - | **9** | - | **(4)** | - |
| Restructuring costs[2] | **-** | 2 | **-** | 2 | **-** | 2 | **-** | 2 | **-** | - |
| **Underlying result** | **316** | 298 | **215** | 199 | **169** | 154 | **125** | 119 | **(44)** | (34) |

1 Direct costs relating to the acquisition of the Moly-Cop Group.
2 In the prior half-year, restructuring costs relate to redundancies from organisational changes and other direct expenditure associated with business restructures.

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of OneSteel and certain plans and objectives of the management of OneSteel. Forward-looking statements can generally be identified by the use of words such as ‘project’, ‘foresee’, ‘plan’, ‘expect’, ‘aim’, ‘intend’, ‘anticipate’, ‘believe’, ‘estimate’, ‘may’, ‘should’, ‘will’ or similar expressions. All such forward looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of OneSteel, which may cause the actual results or performance of OneSteel to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward-looking statements speak only as of the date of this announcement. Factors that could cause actual results or performance to differ materially include without limitation the following: risks and uncertainties associated with the Australian and global economic environment and capital market conditions, the cyclical nature of the steel industry, the level of activity in the Australian construction, manufacturing, mining, agricultural and automotive industries and, to a lesser extent, the same industries in Asia and New Zealand, mining activity in the Americas, commodity price fluctuations, fluctuations in foreign currency exchange and interest rates, competition, OneSteel's relationships with, and the financial condition of, its suppliers and customers, legislative changes, regulatory changes or other changes in the laws which affect OneSteel's business, including environmental laws and the Carbon Pollution Reduction Scheme, and operational risk. The foregoing list of important factors is not exhaustive. There can be no assurance that actual outcomes will not differ materially from these statements.

Further information about OneSteel Limited can be accessed via the website at **www.onesteel.com**. The Review of Operations forms part of a package of information about the company’s financial results and should be read in conjunction with the other Interim Financial Results materials for the period ending 31 December 2010 including the ASX Release, 1H11 Results Presentation and the Half-Year Financial Report for the period ended 31 December 2010.

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# FINANCIAL RATIOS

**HALF-YEAR ENDED**

| $A millions | Dec-10[1] | Jun-10[2] | Dec-09[3] | Jun-09[4] | Dec-08[4] | Jun-08[5] | Dec-07[5] | Jun-07[6] | Dec-06 | Jun-06[7] | Dec-05 | Jun05[8] | Dec-04 | Jun-04[9] | Dec-03 | Jun-03 | Dec-02 | Jun-02 | Dec-01 | FY01 Excl Prov Proforma | FY01 Incl Prov Proforma | Jun-01 | Dec-00 | % Change Dec-10 to Dec-09 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sales Revenue | 3,315.1 | 3,231.0 | 2,973.6 | 3,113.9 | 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 | 2,637.7 | 2,637.7 | 1,370.7 | 1,267.0 | 11.5% |
| Other Revenue/Income | 12.4 | 38.9 | 17.4 | 18.4 | 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 | 141.5 | 141.5 | 129.0 | 12.5 | (28.7%) |
| Total Income | 3,327.5 | 3,269.9 | 2,991.0 | 3,132.3 | 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 | 2,779.2 | 2,779.2 | 1,499.7 | 1,279.5 | 11.3% |
| Gross Profit | 646.3 | 550.1 | 683.9 | 634.6 | 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 | 489.6 | 489.6 | 249.1 | 240.5 | (5.5%) |
| | | | | | | | | | | | | | | | | | | | | | | | | |
| EBITDA - Underlying | 315.5 | 319.8 | 297.8 | 162.7 | 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 | 202.6 | 181.7 | 91.0 | 111.6 | 5.9% |
| Depreciation & Amortisation | (100.6) | (105.2) | (98.7) | (101.5) | (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) | (84.2) | (107.0) | (43.2) | (41.0) | 1.9% |
| EBIT - Underlying | 214.9 | 214.6 | 199.1 | 61.2 | 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 | 118.4 | 74.7 | 47.8 | 70.6 | 7.9% |
| Finance costs | (46.0) | (44.6) | (44.6) | (70.6) | (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) | (61.8) | (61.8) | (32.2) | (29.6) | 3.1% |
| Profit before tax - Underlying | 168.9 | 170.0 | 154.5 | (9.4) | 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 | 56.6 | 12.9 | 15.6 | 41.0 | 9.3% |
| Tax expense - Underlying | (40.9) | (47.3) | (34.3) | 11.0 | (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) | (12.1) | 2.1 | (0.1) | (12.0) | 19.2% |
| Profit after tax - Underlying | 128.0 | 122.7 | 120.2 | 1.6 | 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 | 44.5 | 15.0 | 15.5 | 29.0 | 6.5% |
| Minority Interests | (3.3) | (1.1) | (1.2) | (1.4) | (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) | (5.9) | (5.9) | (3.3) | (2.6) | 175.0% |
| Net Profit After Tax - Underlying | 124.7 | 121.6 | 119.0 | 0.2 | 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 | 38.6 | 9.1 | 12.2 | 26.4 | 4.8% |
| Non-trading items, net of tax | (8.5) | 19.4 | (1.6) | 1.0 | 13.2 | (40.3) | (29.8) | 9.5 | - | 15.9 | - | 49.7 | - | 9.1 | (10.3) | (9.9) | (9.9) | (9.7) | (9.2) | (15.0) | (37.0) | (7.4) | (7.6) | 431.3% |
| Net Profit after Tax - Statutory | 116.2 | 141.0 | 117.4 | 1.2 | 228.3 | 181.3 | 63.6 | 108.8 | 98.2 | 103.4 | 84.1 | 132.5 | 70.3 | 82.4 | 45.5 | 39.1 | 54.9 | 27.4 | 19.7 | 23.6 | (27.9) | 4.8 | 18.8 | (1.0%) |
| | | | | | | | | | | | | | | | | | | | | | | | | |
| EBITDA - Statutory | 303.3 | 342.5 | 295.8 | 103.4 | 493.6 | 474.8 | 256.4 | 218.1 | 218.0 | 193.2 | 203.5 | 203.4 | 173.7 | 177.3 | 146.9 | 139.4 | 168.2 | 125.4 | 125.6 | 202.6 | 181.7 | 91.0 | 111.6 | 2.5% |
| EBIT - Statutory | 202.7 | 226.1 | 197.1 | (2.1) | 397.4 | 353.4 | 165.3 | 170.0 | 169.9 | 146.6 | 156.1 | 150.9 | 128.7 | 122.6 | 93.5 | 86.3 | 115.0 | 74.9 | 73.0 | 103.4 | 37.7 | 40.4 | 63.0 | 2.8% |
| Profit before tax - Statutory | 156.7 | 181.6 | 152.4 | (72.7) | 295.8 | 260.8 | 98.3 | 140.5 | 143.6 | 119.3 | 126.7 | 121.2 | 104.8 | 111.9 | 83.0 | 74.6 | 102.0 | 60.8 | 51.6 | 56.6 | (24.1) | 56.6 | | 2.8% |
| Profit after tax - Statutory | 119.5 | 142.1 | 118.6 | 2.6 | 237.0 | 187.2 | 67.9 | 114.5 | 104.4 | 108.9 | 92.2 | 91.3 | 79.3 | 69.8 | 50.7 | 43.9 | 59.6 | 31.2 | 23.3 | 29.5 | (22.0) | 8.1 | 21.4 | 0.8% |
| | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Assets | 8,170.8 | 7,067.7 | 6,729.5 | 6,933.1 | 7,520.7 | 7,291.5 | 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 | 2,710.8 | 2,710.8 | 2,666.2 | 21.4% |
| Inventory | 1,690.6 | 1,433.0 | 1,270.4 | 1,239.9 | 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 | 540.3 | 540.3 | 646.4 | 33.1% |
| Total Liabilities | 3,691.2 | 2,575.0 | 2,347.3 | 2,596.8 | 3,864.2 | 3,862.1 | 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 | 1,594.6 | 1,594.6 | 1,493.5 | 57.3% |
| Funds Employed | 6,371.2 | 5,456.4 | 5,352.1 | 5,560.2 | 5,926.3 | 5,376.6 | 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 | 1,955.2 | 1,983.7 | 1,994.2 | 2,022.9 | 2,069.6 | 2,069.6 | 2,069.6 | 2,118.8 | 19.0% |
| Total Equity | 4,479.6 | 4,492.7 | 4,382.2 | 4,336.3 | 3,656.5 | 3,429.4 | 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 | 1,116.2 | 1,116.2 | 1,172.7 | 2.2% |
| Net Debt [9] | 1,891.6 | 963.7 | 969.9 | 1,223.9 | 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 | 953.4 | 953.4 | 946.1 | 95.0% |
| Net Debt (incl hedging) [10] | 1,951.4 | 1,006.5 | 1,082.6 | 1,305.2 | 2,299.2 | 2,080.8 | 2,093.5 | 840.8 | 810.7 | 692.4 | 707.4 | 645.3 | 709.0 | 669.0 | 696.9 | 670.2 | 712.6 | 771.6 | 822.2 | 953.4 | 953.4 | 953.4 | 946.1 | 80.3% |
| | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of shares on issue (millions) | 1,334.7 | 1,331.6 | 1,328.4 | 1,325.8 | 882.8 | 878.7 | 876.5 | 575.7 | 573.4 | 569.3 | 567.2 | 563.8 | 561.1 | 554.8 | 551.4 | 546.9 | 542.2 | 538.6 | 535.9 | 460.3 | 460.3 | 460.3 | 454.8 | 0.5% |
| | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating cash flow | 156.8 | 278.5 | 323.6 | 330.4 | 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 | 290.3 | 170.1 | 243.0 | 47.3 | (51.6%) |
| Free Cash Flow - Underlying | 65.2 | 221.5 | 258.5 | 240.6 | (57.4) | 164.3 | 51.0 | 102.1 | 55.3 | 53.6 | (17.2) | 116.5 | (7.5) | 32.7 | 11.2 | 73.5 | 82.7 | 42.9 | (21.1) | 220.8 | 0.0 | 189.4 | 31.4 | (74.8%) |
| Free Cash Flow | 58.0 | 175.5 | 253.4 | 245.4 | (65.0) | 58.5 | (14.6) | 2.7 | (84.1) | 53.6 | (17.2) | 116.5 | (7.5) | 32.7 | 11.2 | 73.5 | 82.7 | 42.9 | (21.1) | 220.8 | | 189.4 | 31.4 | (77.1%) |
| Capital and investment expenditure | 1,091.7 | 135.7 | 71.1 | 85.4 | 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 | 108.4 | 108.4 | 92.5 | 15.9 | 1435.4% |
| | | | | | | | | | | | | | | | | | | | | | | | | |
| Return on Assets % - Underlying | 5.6% | 6.2% | 5.8% | 1.7% | 10.8% | 11.5% | 5.8% | 9.8% | 10.4% | 9.5% | 10.2% | 10.3% | 9.3% | 9.9% | 8.0% | 7.4% | 9.6% | 6.5% | 6.2% | 4.4% | 2.8% | 3.6% | 10.6% | -0.2pts |
| Return on Equity % - Underlying | 5.7% | 5.5% | 5.5% | 0.1% | 12.5% | 13.3% | 5.8% | 13.2% | 13.7% | 12.7% | 13.0% | 13.4% | 11.5% | 11.5% | 9.0% | 8.1% | 10.8% | 6.6% | 5.5% | 3.9% | 1.3% | 2.7% | 9.8% | 0.2pts |
| Return on Funds Employed % (ROFE) - Underlying | 7.3% | 7.9% | 7.3% | 2.1% | 14.1% | 15.2% | 7.6% | 14.4% | 15.3% | 13.9% | 15.1% | 14.8% | 12.4% | 12.8% | 10.2% | 9.5% | 12.3% | 8.3% | 8.0% | 5.7% | 3.6% | 4.5% | 13.3% | 0pts |
| Sales Margin - Underlying | 6.5% | 6.6% | 6.7% | 2.0% | 9.7% | 9.7% | 6.3% | 7.9% | 8.0% | 7.3% | 7.9% | 7.4% | 6.8% | 7.8% | 6.6% | 6.3% | 8.2% | 5.9% | 5.6% | 4.5% | 2.8% | 3.5% | 5.6% | -0.2pts |
| Gross Profit Margin - Underlying | 19.5% | 17.0% | 23.0% | 20.4% | 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% | 18.6% | 18.6% | 18.2% | 19.0% | -3.5pts |
| Earnings Per Share (cents) - Year end - Underlying | 9.3 | 9.1 | 9.0 | 0.0 | 24.4 | 25.2 | 10.7 | 17.3 | 17.1 | 15.4 | 14.8 | 14.7 | 12.5 | 13.2 | 10.1 | 9.0 | 12.0 | 6.9 | 5.4 | 5.1 | (6.0) | 1.0 | 4.1 | 3.3% |
| Earnings Per Share (cents) - Weighted Average - Underlying | 9.4 | 9.2 | 9.0 | - | 22.6 | 23.0 | 11.8 | 17.4 | 17.3 | 15.5 | 15.0 | 14.8 | 12.7 | 11.3 | 8.3 | 7.1 | 10.2 | 5.1 | 4.2 | 5.1 | (6.0) | 1.0 | 4.1 | 4.6% |
| Earnings Per Share (cents) - Weighted Average - Statutory[11] | 8.8 | 10.6 | 8.9 | - | 23.9 | 19.0 | 8.1 | 19.1 | 17.3 | 18.3 | 15.0 | 23.7 | 12.7 | 14.9 | 8.3 | 7.1 | 10.2 | 5.1 | 4.2 | 5.1 | (6.0) | (4.0) | 9.1 | (0.8%) |
| Dividends per share (cents) | 6.0 | 6.0 | 5.0 | 4.0 | 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 | 6.0 | 6.0 | 3.0 | 3.0 | 1cents |
| Dividend payout ratio - Underlying | 64.2% | 65.7% | 55.8% | 100.0% | 24.6% | 53.5% | 75.1% | 92.2% | 46.7% | 65.0% | 47.2% | 51.1% | 47.9% | 52.9% | 49.5% | 66.9% | 41.8% | 50.9% | 55.7% | 71.2% | 302.2% | 113.1% | 51.9% | 8.4pts |
| Dividend payout ratio - Statutory | 68.9% | 56.7% | 56.6% | 100.0% | 23.2% | 65.4% | 110.2% | 84.1% | 46.7% | 55.0% | 47.2% | 31.9% | 47.9% | 47.1% | 60.7% | 83.9% | 49.4% | 69.0% | 81.7% | 116.5% | (98.6%) | 287.5% | 72.9% | 12.4pts |
| Gearing - (incl hedging) (net debt/net debt + equity)[10] | 30.3% | 18.3% | 19.8% | 23.1% | 38.6% | 37.8% | 38.4% | 33.8% | 34.0% | 31.6% | 33.0% | 31.7% | 35.6% | 32.8% | 34.8% | 34.3% | 35.9% | 38.7% | 40.6% | 46.1% | 46.1% | 46.1% | 44.7% | 10.5pts |
| Gearing - Statutory (net debt/net debt + equity)[9] | 29.7% | 17.7% | 18.1% | 22.0% | 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% | 46.1% | 46.1% | 44.7% | 11.6pts |
| Interest cover (times EBITDA) | 6.9 | 7.2 | 6.7 | 2.3 | 4.9 | 5.6 | 4.3 | 7.4 | 8.3 | 7.1 | 6.9 | 6.8 | 7.3 | 8.3 | 7.1 | 6.5 | 7.3 | 5.3 | 4.1 | 3.3 | 1.2 | 1.5 | 2.4 | 0.2 times |
| Interest cover incl capitalised interest (times) | 6.9 | 7.2 | 6.7 | 2.3 | 4.9 | 5.1 | 3.7 | 5.6 | 6.7 | 6.4 | 6.6 | 6.8 | 7.2 | 8.1 | 6.8 | 6.5 | 7.3 | 5.3 | 4.1 | 3.3 | 1.2 | 1.5 | 2.4 | 0.2 times |
| Net tangible assets per share ($) | 1.34 | 1.77 | 1.72 | 1.65 | 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 | 1.81 | 1.81 | 2.13 | (22.1%) |
| | | | | | | | | | | | | | | | | | | | | | | | | |
| Employees | 11,549 | 10,598 | 10,574 | 11,104 | 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 | 7,379 | 7,379 | 6,896 | 9.2% |
| Sales per employee ($000s) | 287 | 305 | 281 | 280 | 351 | 361 | 277 | 288 | 276 | 268 | 274 | 277 | 260 | 234 | 221 | 218 | 221 | 205 | 210 | 357 | 357 | 186 | 184 | 2.1% |
| | | | | | | | | | | | | | | | | | | | | | | | | |
| Raw steel production (mt) | 1.11 | 1.01 | 1.14 | 0.80 | 1.23 | 1.41 | 1.26 | 0.86 | 0.88 | 0.83 | 0.80 | 0.81 | 0.54 | 0.80 | 0.82 | 0.79 | 0.83 | 0.78 | 0.79 | 1.44 | 1.44 | 0.75 | 0.69 | (2.9%) |
| Steel tonnes despatched (mt) | 1.35 | 1.41 | 1.34 | 1.18 | 1.58 | 1.89 | 1.62 | 1.13 | 1.14 | 1.18 | 1.10 | 1.16 | 1.11 | 1.09 | 1.07 | 1.11 | 1.11 | 1.08 | 1.10 | 2.13 | 2.13 | 1.13 | 1.00 | 0.5% |

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 and defined benefit obligations;
- restatement of deferred tax balances using the balance sheet method;
- 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 underlying earnings presented for the years 2001 - 2004 has been adjusted to exclude goodwill amortisation.

1 Dec 10 underlying earnings are before the impact of direct costs relating to the acquisition of the Moly-Cop Group of $8.5m, net of tax.
2 Dec 09 underlying earnings are before the impact of restructuring activities.
3 June 10 underlying earnings are before the impact of legal claims, accelerated depreciation, restructuring activities, tax consolidation and overprovision of tax in prior years.
4 Dec 08 and June 09 underlying earnings are before the impact of restructuring activities, tax consolidation and over provision of tax in prior years.
5 Dec 07 and June 08 underlying earnings are before the impact of restructuring activities and reflect the final fair value adjsutments arising on acquisition of the Smorgon Steel Group Limited in August 2007. The results of the Smorgon Steel Group have been included in these statistics from 20 August 2007.
6 June 07 underlying earnings are before the impact of the derecognition of deferred tax liabilities.
7 June 06 underlying earnings are before the tax benefits arising from adjustments to tax consolidation values.
8 June 05 underlying earnings are before the benefit relating to the reversal of impairment loss on transition to AIFRS of $49.7m, net of tax.
9 June 04 underlying earnings are before the tax benefit arising from OneSteel's entry into the tax consolidation regime.
10 Net debt under previous AGAAP has been adjusted to include securitisation which was previously classified as off-balance sheet.
11 Includes the impact of swaps hedging foreign currency denominated debt.

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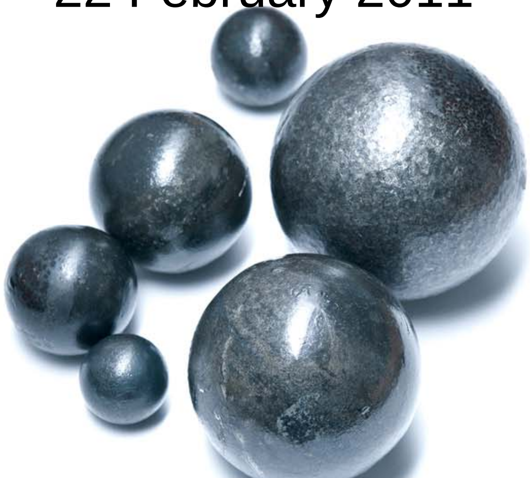
# 1H11 Results Presentation

Geoff Plummer, Managing Director & CEO
Robert Bakewell, Chief Financial Officer

22 February 2011



The 1H11 Results Presentation forms part of a package of information about the Company's financial results for the six months ended 31 December 2010 and should be read in conjunction with the other 1H11 Results materials including the ASX Release, Review of Operations, and the Half-Year Financial Report for the six months ended 31 December 2010.

This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of OneSteel and certain plans and objectives of the management of OneSteel. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. All such forward looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of OneSteel, which may cause the actual results or performance of OneSteel to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward-looking statements speak only as of the date of this presentation. Factors that could cause actual results or performance to differ materially include without limitation the following: risks and uncertainties associated with the Australian and global economic environment and capital market conditions, the cyclical nature of the steel industry, the level of activity in the Australian construction, manufacturing, mining, agricultural and automotive industries and, to a lesser extent, the same industries in Asia and New Zealand, mining activity in the Americas, commodity price fluctuations, fluctuations in foreign currency exchange and interest rates, competition, OneSteel's relationships with, and the financial condition of, its suppliers and customers, legislative changes, regulatory changes or other changes in the laws which affect OneSteel's business, including environmental laws, a carbon tax, proposed mining tax and operational risk. The foregoing list of important factors is not exhaustive. There can be no assurance that actual outcomes will not differ materially from these statements.

The information in this presentation that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Paul Leevers, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Leevers is a full-time employee of OneSteel Manufacturing Pty Ltd. Mr Leevers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Leevers consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

# Contents

# 1H11 overview

- Statutory net profit after tax $116 million, flat from pcp
- Underlying net profit after tax $125 million, up 5% pcp
  - Excludes direct costs related to acquisition
- Balance sheet sound
  - Gearing 29.7% post acquisition
- Solid cash flow
- Interim dividend 6 cents per share (unfranked)
- Overall first half performance reflects level of strength in markets of our different businesses, with international and resources focused businesses performing best
- Iron Ore segment again the standout performer – record 1H
- Mining consumables businesses performed well
- Australian steel segments significantly impacted by further weakness in external environment
- Focus on cost savings initiatives implemented during and since GFC
- Acquisition of Anglo American’s Moly-Cop and AltaSteel mining consumables businesses completed on 31 December 2010

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# 1H11 overview

## Statutory and underlying results

| | Statutory | | Underlying | | |
|---|---|---|---|---|---|
| | 1H11 $m | % change from 1H10 | 1H11 $m | % change from 1H10 | Comment |
| Net profit after tax | 116 | ↓ 1 | 125 | ↑ 5 | Underlying net profit excludes direct costs related to acquisition of Moly-Cop and AltaSteel businesses of $9m (net of tax) |
| Operating cash flow | 157 | ↓ 52 | 164 | ↓ 50 | Underlying operating cash flow excludes the cash impact of direct costs related to the acquisition of Moly-Cop and AltaSteel businesses |

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# 1H11 overview

## Statutory and underlying results

| | 1H11<br>$m | | % change | 1H10<br>$m |
|---|---|---|---|---|
| Net debt - statutory | 1,892 | ↑ | 95 | 970 |
| .Net debt - including hedging* | 1,951 | ↑ | 80 | 1,083 |
| Gearing ratio – statutory (net debt to net debt plus equity) | 29.7% | ↑ | 11.6pts | 18.1% |
| Gearing ratio – including hedging (net debt to net debt plus equity) | 30.3% | ↑ | 10.5pts | 19.8% |

* Includes the impact of swaps hedging foreign currency denominated debt

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# 1H11 operational overview

- Very strong performance in Iron Ore, but overall operational performance continued to be impacted by adverse external environment, particularly in Australian steel businesses
  - Further weakness in Australian steel demand during 1H following stall in recovery last May
  - Steel margins adversely impacted by:
    - Lower steel prices due to further appreciation in AUD
    - Higher raw material costs
- Underlying EBIT up 8% to $215m vs. $199m pcp
- Iron Ore EBIT up 144% to $276m – higher prices due to continued strong demand from China
- Recycling EBIT $5m loss – margins in Australian business continue to be impacted by short supply of arisings and further appreciation in AUD
- Manufacturing EBIT $71m loss
  - Lower volumes and prices, and higher raw material costs
  - Most of loss in December quarter
- Australian Distribution EBIT down 80% to $10m – margins adversely affected by rapid appreciation in AUD, leading to generally lower prices

# Market conditions and external factors

## International

- Chinese demand for iron ore and spot prices stronger through the half, reaching near record highs
- Improvement in scrap market, especially non-ferrous market, but volumes still volatile and still well below pre-GFC levels.  Scrap prices stronger but volatile, and availability of scrap arisings remained tight
- Continued strong mining activity
- Steel prices generally driven by raw material costs.  Utilisation rates low, particularly in developed countries

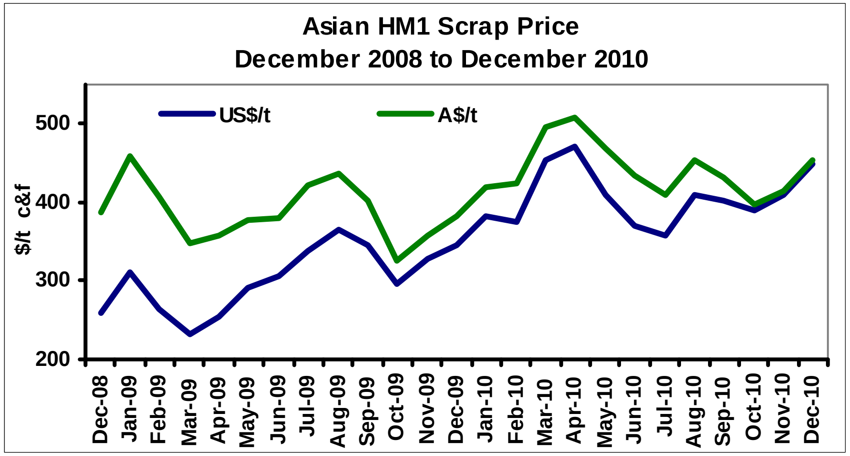
## Australian

- Further weakness in Australian demand following stall in recovery last May
  - Weaker confidence levels (factors such as Federal election and mining tax)
  - Continuing effects of GFC on Australian construction activity
  - De-stocking

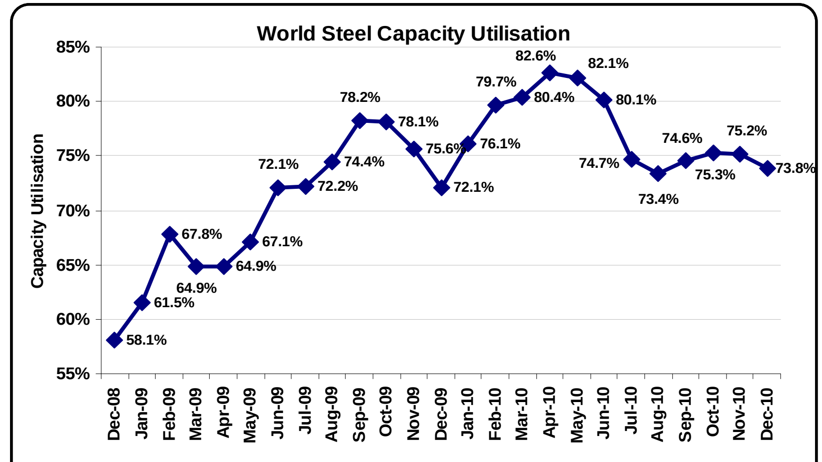
# Market conditions and external factors

- Australian steel segments:
  - – Resources: relatively strong, particularly in mining consumables
  - – Engineering construction: some improvement due to Government funded infrastructure commencing late in half
  - – Non-residential construction: privately funded non-residential construction continued to be weak due to credit availability issues
  - – Residential construction: weaker due to multiple interest rate increases and reduced Government incentives
  - – Other: rural relatively weak and manufacturing continues to reflect two-speed economy
- Weaker Australian steel prices due to rapid appreciation of AUD
  - International steel prices trended up through the half. Australian steel price movements have historically lagged international price movements by approximately 2 – 4+ months
- Encouraging signs that both Australian steel volumes and prices have bottomed

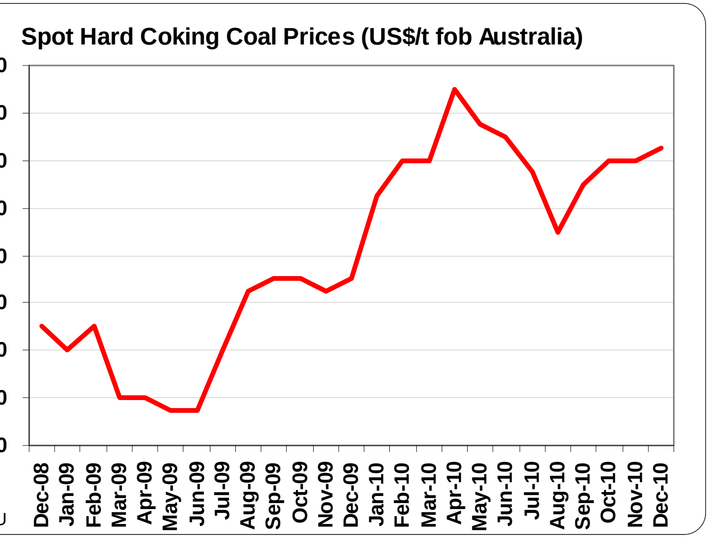
# Market conditions and external factors - international




Source: Tex Report




Source: WorldSteel

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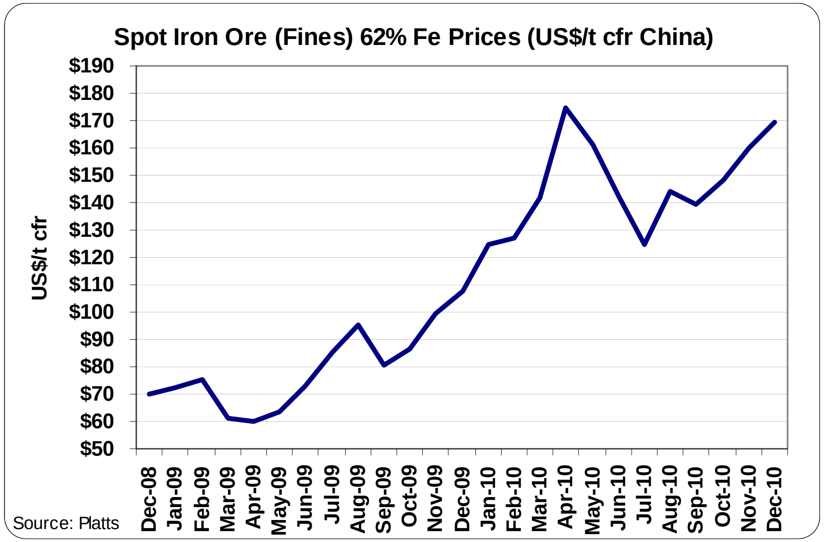
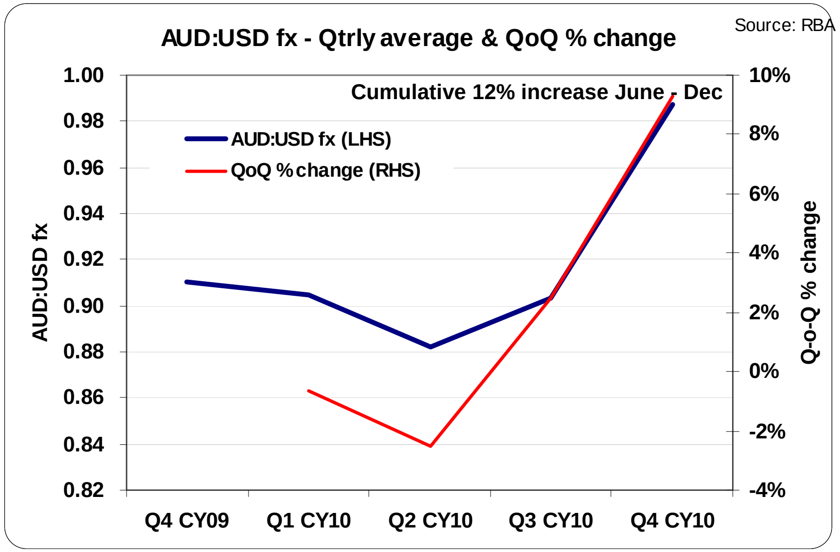
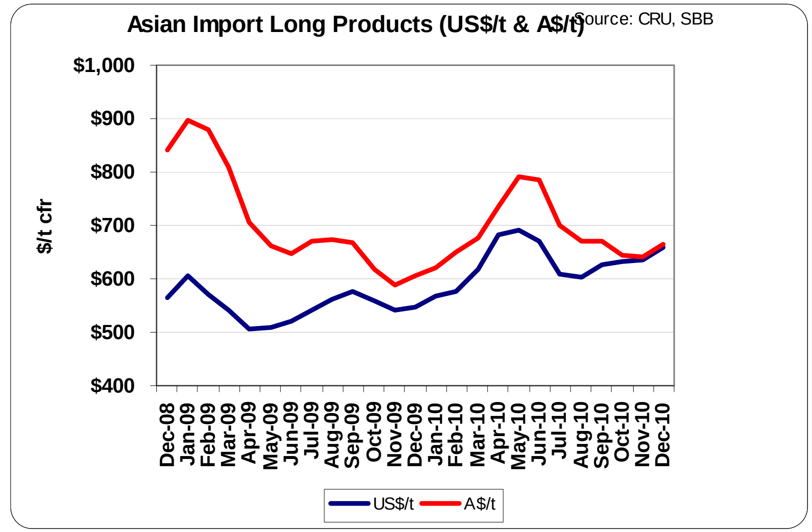
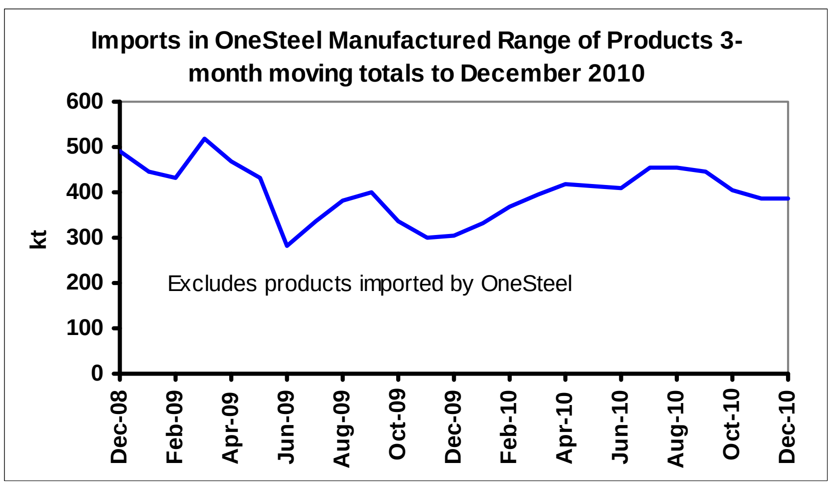



Source: Platts

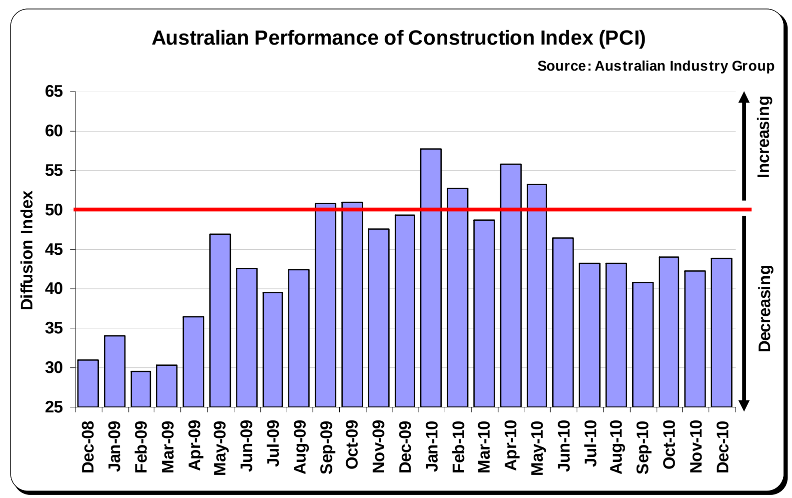
# Market conditions and external factors - Australian




Source: ABS Data and OneSteel Estimates

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# 1H11 segment structure

| Iron Ore | Recycling | Manufacturing | Australian Distribution | Mining Consumables* |
|---|---|---|---|---|
| **Iron ore mines**<br>Iron ore lump<br>Iron ore fines<br>Lower grade ore<br>Pellet plant<br>**Dolomite mines** | **Australian Recycling**<br>**International Recycling**<br>(USA and Asia) | **Whyalla Steelworks**<br>Structural Rolling Mills<br>Rail Products Facilities<br>Slabs & Billets<br>Steelmaking by-products (e.g. coke)<br>**Laverton Steel Mill**<br>Electric Arc Furnace<br>Laverton Rolling Mills<br>**Sydney Steel Mill**<br>Electric Arc Furnace<br>Sydney Bar Mill<br>**Waratah Steel Mill**<br>Electric Arc Furnace<br>Bar Mill, Rail & Forge<br>Grinding Media (US)<br>Grinding Media (Cilegon)<br>**Wire Mills**<br>Wire Ropery<br>Newcastle Wire Mill<br>Geelong Wire Mill<br>**Newcastle Rod Mill**<br>**Australian Tube Mills**<br>**LiteSteel™ Technologies** | **ARC - Australian Reinforcing Company**<br>**OSR - OneSteel Reinforcing**<br>**Merchandising**<br>**Metaland/Steel & Tube** | **Moly-Cop (Grinding Media)**<br>Australia (Waratah)<br>Indonesia<br>Canada<br>USA<br>Chile<br>Peru<br>Mexico<br>**AltaSteel**<br>Electric Arc Furnace<br>Bar Mill<br>Grinding Rod Facility<br>Maple Leaf Metals<br>GenAlta (50% JV)<br>**Waratah Steel Mill**<br>Electric Arc Furnace<br>Bar Mill, Rail & Forge<br>**Wire Ropery** |

New Zealand Distribution segment not included (represents OST's 50.3% shareholding in Steel & Tube Holdings Limited)

*Mining Consumables segment to be reported from 1 January 2011

# 1H11 segment results

## Iron Ore

| | 1H11<br>$m | 1H10[1]<br>$m | % change | |
|---|---|---|---|---|
| Total revenue/income | 465 | 331 | ↑ | 41 |
| EBITDA | 290 | 126 | ↑ | 130 |
| EBIT | 276 | 113 | ↑ | 144 |
| Sales margin | 59.2% | 34.1% | ↑ | 25.1pts |
| Assets | 850 | 795 | ↑ | 7 |
| Funds employed | 736 | 708 | ↑ | 4 |
| Return on funds employed | 75.8% | 32.4% | ↑ | 43.4pts |
| Employees (number) | 338 | 352 | ↓ | (4) |
| External lump & fines iron ore sales | 3.06mt | 3.19mt | ↓ | (4) |
| Other ore by products etc. | 230kt | 220kt | ↑ | 5 |
| Pellet sales | 80kt | 0kt | ↑ | 100 |

[1] The 1H10 results for the Iron Ore and Manufacturing segments have been restated to reflect changes in organisation structure announced in February 2010 effective from 1 July 2009. The pellet plant operations previously reported as part of the Manufacturing segment are now reported as part of the Iron Ore segment.

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# 1H11 segment results

## Iron Ore – Key Points

- Sales:
  - 3.06 million tonnes of hematite iron ore
    - Includes 2.01mt HGO, 1.05mt MGO
    - All sales to China
    - Contract sales 67%, Spot sales 33%
    - Mix approximately 55% fines, 45% lump
    - Further restoration in lump premium for contract sales, but below pre-GFC levels
  - Ore by products 230kt
  - Pellets 80kt (includes 40kt related to FY10 blast furnace interruption)
- Shipments near end of half adversely impacted by very poor weather
- Spot prices trended up most of half reaching near record highs around December
- Average freight rates lower during the half
- Loaded cost on ship within guidance range of A$25 - A$40 per tonne
- EBIT of $276m up 144% pcp – higher prices and lower freight rates

# 1H11 segment results

## Iron Ore – FY11

- Sales target 6.0 - 6.5 million tonnes, plus approx. 300kt pellets*
  - Sales expected to be around middle of range (shipments adversely impacted by very poor weather December/January)
  - Includes approximately 2mt of medium grade ore (Fe 56% - 60%)
    - Address bottleneck at mine during transition from historical to new planned mines
    - Take advantage of current market conditions
    - Further opportunity to sustainably move beyond 6mtpa through combination of HGO and MGO
- Sales mix expected to be approximately 55% fines, 45% lump
- Contract sales expected to be approximately 60% - 70% of total sales

* Includes approximately 200kt of pellets related to planned blast furnace repair/re-design work in 4th quarter of FY11

# 1H11 segment results

## Recycling

| | 1H11<br>$m | 1H10<br>$m | % change | |
|---|---|---|---|---|
| Total revenue/income | 714 | 492 | ↑ | 45 |
| EBITDA | 3 | 4 | ↓ | (16) |
| EBIT | (5) | (4) | ↓ | (47) |
| Sales margin | (0.7%) | (0.7%) | - | - |
| Assets | 647 | 614 | ↑ | 5 |
| Funds employed | 568 | 549 | ↑ | 3 |
| Return on funds employed | (1.8%) | (1.3%) | ↓ | (0.5pts) |
| Employees (number) | 1,017* | 962 | ↑ | 6 |
| Scrap recycling tonnes | 1.11mt | 0.91mt | ↑ | 22 |

*Includes 108 employees from business acquisitions during 2H10

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# 1H11 segment results

## Recycling – Key Points

- Margins in Australia adversely impacted by weak sales volumes, high purchase prices for scrap intake (due to competition for the short supply of arisings related to weak construction and industrial activity), and impact of appreciation in AUD
- Sales revenue up - higher prices and improved ferrous and non-ferrous volumes
- Ferrous market
  - Sales volumes continued to recover slowly but international demand remained volatile. Compared to pre-GFC levels, Australian volumes still down around 15-20%
    - Most of volume growth outside Australia
  - Average USD prices higher compared to pcp, but AUD prices impacted by further appreciation in AUD
- Non-ferrous market – pricing generally very strong, volumes improving
- Small EBIT loss due to weak performance of Australian business, partly offset by cost savings and improving positive EBIT contributions from international Recycling businesses

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# 1H11 segment results

## Manufacturing

| | 1H11 $m | 1H10[1] $m | | % change |
|---|---|---|---|---|
| Total revenue/income | 1,396 | 1,479 | ↓ | (6) |
| EBITDA | (12) | 130 | ↓ | (109) |
| EBIT | (71) | 72 | ↓ | (199) |
| Sales margin | (5.1%) | 4.9% | ↓ | (10.0pts) |
| Assets | 3,639 | 3,583 | ↑ | 2 |
| Funds employed | 3,079 | 3,058 | ↑ | 1 |
| Return on funds employed | (4.6%) | 4.6% | ↓ | (9.2pts) |
| Employees (number) | 4,289 | 4,300 | ↓ | - |
| External steel despatches | 0.69mt | 0.69mt | - | - |
| Steel tonnes produced | 1.11mt | 1.14mt | ↓ | (3) |

[1] The 1H10 results for the Iron Ore and Manufacturing segments have been restated to reflect changes in organisation structure announced in February 2010 effective from 1 July 2009. The pellet plant operations previously reported as part of the Manufacturing segment are now reported as part of the Iron Ore segment

# 1H11 segment results

## Manufacturing – Key Points

- Production and operating levels decreased during half due to further weakness in Australian construction activity due to: continuing impact of GFC, weaker confidence levels, adverse weather, de-stocking
- Steelmake: Whyalla 540kt, Sydney and Laverton 450kt, Waratah 120kt
    - Includes 100kt inventory build (split 50/50 between EAFs and blast furnace) re planned blast furnace repair/re-design work in 4th quarter
    - Sales revenue down 6% pcp due to lower prices
    - Prices impacted by rapid appreciation in AUD
    - International prices trended up through half
        - Lag impact of approx. 2 – 4+ months in Australian price movements
        - Australian price increases now announced
- Margins impacted by:
    - Lower prices
    - Higher cost opening inventory
    - Higher raw material costs
- EBIT loss $71m
    - Weaker margins and prices
        - Partly offset by cost savings
    - Loss mostly in December quarter
    - Mining consumables EBIT +$20m

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# 1H11 segment results

## Australian Distribution

| | 1H11 $m | 1H10 $m | | % change |
|---|---|---|---|---|
| Total revenue/income | 1,258 | 1,296 | ↓ | (3) |
| EBITDA | 25 | 67 | ↓ | (63) |
| EBIT | 10 | 51 | ↓ | (80) |
| Sales margin | 0.8% | 3.9% | ↓ | (3.1pts) |
| Assets | 1,458 | 1,481 | ↓ | (2) |
| Funds employed | 1,148 | 1,181 | ↓ | (3) |
| Return on funds employed | 1.8% | 8.7% | ↓ | (6.9pts) |
| Employees (number) | 3,491 | 3,637 | ↓ | (4) |
| Steel tonnes despatched | 0.66mt | 0.65mt | ↑ | 2 |

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# 1H11 segment results

## Australian Distribution – Key Points

- Segment continued to be impacted by weak Australian activity, particularly construction
  - Weaker confidence (mining tax, Federal election etc)
  - Higher interest rates
  - De-stocking and deferrals
  - Adverse weather
- Sales volumes flat
  - Volumes around 15%-20% below normal levels
  - Government funded infrastructure projects commencing but most volume impact in 2011
- Australian prices declined generally through period, Distribution returns typically worse during period of falling prices
- Generally maintained market positions
- Significant leverage to recovery in demand and prices
- Price increases for wide range of products announced - benefit in Q4
- Continued to reduce cost base through initiatives implemented during and since GFC
- EBIT of $10m, down from $51m pcp due to lower prices

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# 1H11 segment results

## New Zealand Distribution

| | 1H11 $m | 1H10 $m | % change | |
|---|---|---|---|---|
| Total revenue/income | 149 | 155 | ↓ | (3) |
| EBITDA | 12 | 7 | ↑ | 65 |
| EBIT | 10 | 5 | ↑ | 102 |
| Sales margin | 6.5% | 3.1% | ↑ | 3.4pts |
| Assets | 158 | 160 | ↓ | (1) |
| Funds employed | 109 | 136 | ↓ | (20) |
| Return on funds employed | 17.3% | 6.6% | ↑ | 10.7pts |
| Employees (number) | 708 | 746 | ↓ | (5) |

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# 1H11 segment results

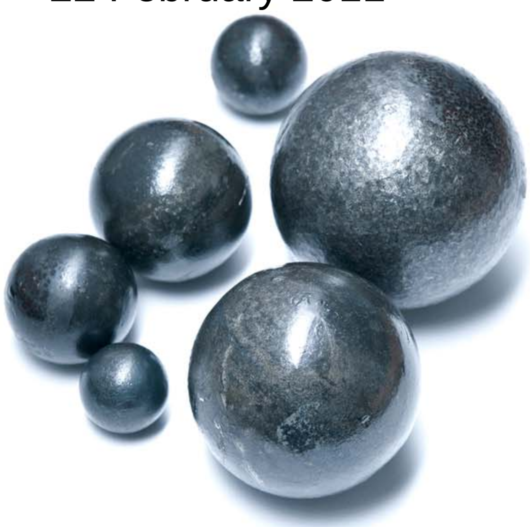
## New Zealand Distribution – Key Points

- Marginal improvement in most sectors over half, volumes remain well below historical levels
- Commercial construction continued to decline
  - Privately funded non-residential construction weak and down 18% pcp
  - Residential construction remained soft
  - Increase in Government infrastructure activity and Christchurch rebuild
- Rural markets improving slowly but affected by weather conditions
- Maintained market position
- Increased focus on lowering costs and operational improvements
- EBIT $10m, up from $5m pcp due to increased volumes, partly offset by lower prices


# 1H11 Results Presentation

## Financial Result Overview - Robert Bakewell, CFO

22 February 2011



# 1H11 financial overview

- Very strong contribution from Iron Ore, but overall profit performance impacted by continuing impact of GFC on Australian construction activity and further deterioration in the external environment, including rapid appreciation in the AUD
- Solid cash outcome
  - Operating cash flow $157m
- Balance sheet remains sound
  - $1.03bn of undrawn facilities available
  - Gearing 29.7%
- Acquisition of Moly-Cop and AltaSteel completed 31 December
  - Acquired assets included in balance sheet at end 1H11
  - Earnings to be included from 1 January 2011
  - New mining consumables segment from 2H11
- Largely maintained labour reduction savings of $160m implemented during GFC, plus further savings from freight, consumables, overheads and continuing labour reductions
- Interim dividend of 6 cents per share unfranked (up from 5 cents pcp). Record date 3 March 2011. Payment date 14 April 2011

# 1H11 results summary

## Statutory results

| | 1H11 $m | 1H10 $m | % change | | Comment |
|---|---|---|---|---|---|
| Sales revenue | 3,315 | 2,974 | ↑ | 11 | Primarily reflecting increase in iron ore prices offset by impact of stronger Australian dollar against US dollar |
| EBITDA | 303 | 296 | ↑ | 3 | Stronger earnings in Iron Ore and New Zealand Distribution segments, offset by lower earnings in the Manufacturing and Australian Distribution segments |
| Depreciation & amortisation | (101) | (99) | ↑ | 2 | |
| EBIT | 203 | 197 | ↑ | 3 | |
| Finance costs | (46) | (45) | ↑ | 2 | |
| Net profit after tax | 116 | 117 | ↓ | (1) | |
| Operating cash flow | 157 | 324 | ↓ | (52) | Particularly strong 1H10 |
| Net debt | 1,892 | 970 | ↑ | 95 | Reflects additional debt due to acquisition of Moly-Cop and AltaSteel |
| Gearing (net debt /net debt plus equity) | 29.7% | 18.1% | ↑ | 11.6pts | Reflects additional debt due to acquisition of Moly-Cop and AltaSteel |
| Interim dividend (cents per share) | 6.0 | 5.0 | ↑ | 20 | Unfranked due to insufficient franking credits |

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# 1H11 financial overview

## Significant non-trading items impacting Net Profit After Tax

| | 1H11 $m | 1H10 $m |
|---|---|---|
| Subtractions | | |
| Acquisition costs | (9) | - |
| Restructuring activities | - | (2) |
| **Total subtractions** | **(9)** | **(2)** |
| **Net impact on Net Profit After Tax** | **(9)** | **(2)** |

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# 1H11 financial overview

## Profit & loss summary - underlying

| | 1H11 $m | 1H10 $m | % change | |
|---|---|---|---|---|
| Sales revenue | 3,315 | 2,974 | ↑ | 11 |
| EBITDA | 316 | 298 | ↑ | 6 |
| Depreciation & amortisation | (101) | (99) | ↑ | 2 |
| EBIT | 215 | 199 | ↑ | 8 |
| Finance costs | (46) | (45) | ↑ | 2 |
| Profit before tax | 169 | 154 | ↑ | 10 |
| Tax expense | (41) | (34) | ↑ | 19 |
| Net profit after tax | 125 | 119 | ↑ | 5 |
| Operating cash flow | 164 | 329 | ↓ | (50) |
| EPS (cents) | 9.4 | 9.0 | ↑ | 5 |
| Return on funds employed | 7.3% | 7.3% | - | - |
| Interim dividend (cents per share) | 6 | 5 | ↑ | 20 |

# 1H11 financial overview

## Balance sheet summary

| | 1H11 $m | 1H10 $m | % change | |
|---|---|---|---|---|
| Total assets | 8,171 | 6,730 | ↑ | 21 |
| Total liabilities | 3,691 | 2,347 | ↑ | 57 |
| Net assets | 4,480 | 4,382 | ↑ | 2 |
| Net debt | 1,892 | 970 | ↑ | 95 |
| Inventory | 1,691 | 1,270 | ↑ | 33 |
| Funds employed | 6,371 | 5,352 | ↑ | 19 |
| Gearing (net debt/net debt plus equity) | 29.7% | 18.1% | ↑ | 11.6pts |
| Interest cover – times | 6.9 | 6.7 | ↑ | - |
| NTA / share – ($) | 1.34 | 1.72 | ↓ | (22) |

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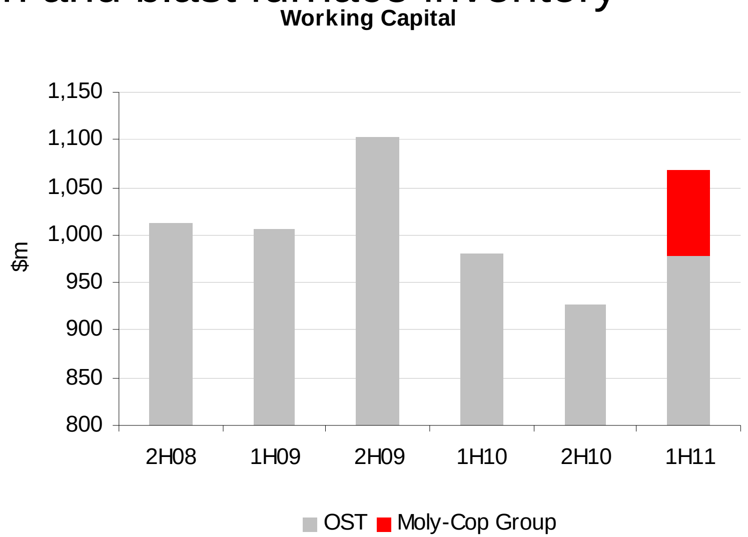
# Operational features

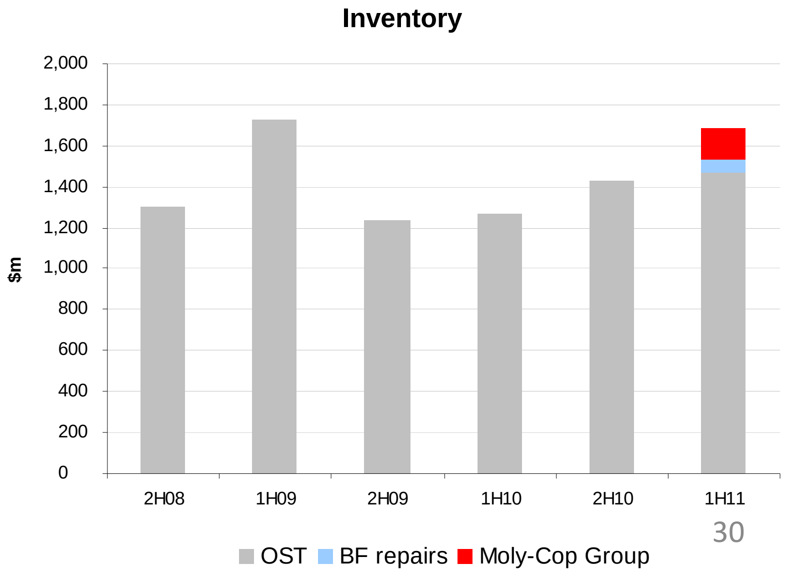
## Working Capital – movement reflects acquisition and blast furnace inventory build

- Includes $91m on acquisition of Moly-Cop and AltaSteel
- Receivables – debtor days continued their improvement, maintained focus on collections
- Creditors – reflects flat activity levels offset by acquisition of Moly-Cop and AltaSteel
- Provisions – increase due to Moly-Cop and AltaSteel's employee and other provisions acquired




## Inventory

- Includes $156m on acquisition of Moly-Cop and AltaSteel
- Includes approx. $70m for stock build for blast furnace work



# 1H11 financial overview

## Cash flow

| | 1H11 $m | 1H10 $m |
|---|---|---|
| Profit after tax | 120 | 119 |
| Depreciation, amortisation and impairment | 101 | 99 |
| Non-cash items | (7) | (8) |
| Working capital movements | (57) | 113 |
| **Operating cash flow** | **157** | **323** |
| Capital expenditure | (99) | (70) |
| **Free cash flow (Statutory)** | **58** | **253** |
| Investment expenditure | (993) | (1) |
| Asset sales | 1 | 1 |
| **Operating and investing cash flow** | **(934)** | **253** |

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# 1H11 financial overview

## Reconciliation of income tax expense - statutory

| 6 months to 31 December | 1H11 $m | 1H10 $m |
|---|---|---|
| Profit before tax | 157 | 152 |
| Prima facie tax payable at 30% | 47 | 46 |
| Adjustments in respect of income tax of previous years | (6) | 0.1 |
| Research & development allowance | (5) | (7) |
| Difference in overseas tax rates | 1 | 2 |
| Other non-deductible expenses | 0.3 | 0.2 |
| Other items | - | (7) |
| Income tax expense reported in the Income Statement | 37 | 34 |
| Effective tax rate | 24% | 22% |

- Expected effective tax rate for FY11 27% – 30%

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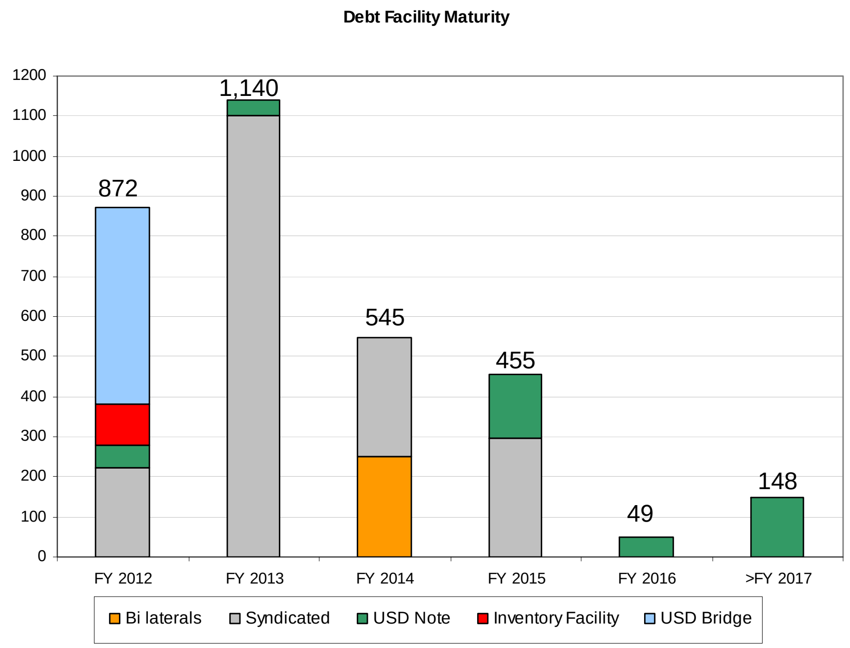
# 1H11 financial overview

## Summary of facilities at 31 Dec 2010

| Maturity | Type of Facility | Facility Amount A$m |
|---|---|---|
| FY12 | Inventory financing facility | 100 |
| | US note issues | 57 |
| | USD bridge* | 492 |
| | Syndicated loan | 223[1] |
| FY13 | US notes | 40 |
| | Syndicated loan | 1,100 |
| FY14 | Bi-laterals | 250 |
| | Syndicated loan | 295 |
| FY15 | US note issues* | 160 |
| | Syndicated loan | 295 |
| FY16 | US note issues* | 49 |
| FY17+ | US note issues* | 148 |
| **Total** | | **3,209** |

*Conversion of USD debt at closing rate of 1.0172

[1] Retired on maturity




The majority of USD funding has been used to provide a natural hedge for US operations and Moly Cop

Covenants for facilities vary but typically cover net worth, interest cover and gearing

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# Debt refinancing

- Moly-Cop acquisition funded with USD 500 million bridge
  - Bridge matures November 2011
- ANZ mandated to refinance USD 500 million in Asia
  - Well progressed, very encouraged by commitments to date
  - Expect to conclude April
- Well progressed on plans to smooth debt maturity profile
  - Refinancing debt up to and including debt maturing FY13 well in advance

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# 1H11 Results Presentation

## Outlook & Summary - Geoff Plummer, Managing Director & CEO

22 February 2011

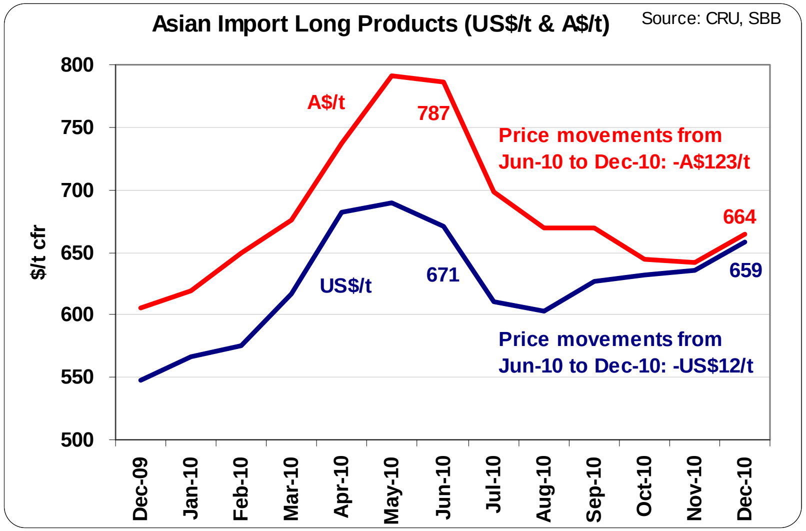
# Whyalla blast furnace repair/re-design work

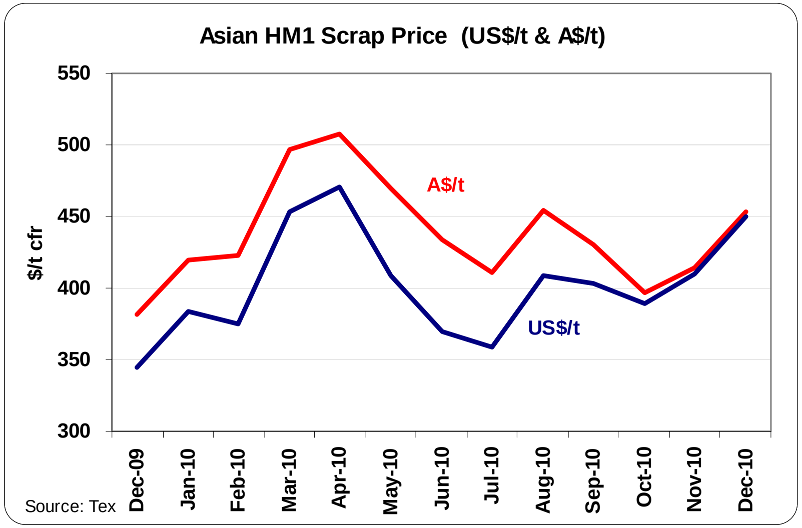
- Remain on track for May shut
- Total production impact:  175k cast steel tonnes
- All mills expected to run through down period – no lost sales expected
  - Inventory build on target for Whyalla products
  - Sufficient EAF capacity for other products
- Finalised contract
  - Contractor in process of mobilising on site
  - Long lead time items arrived or in transit
- Capital cost of work $60-65m
- Design life of blast furnace expected to extend beyond 2020
- Expected earnings impact:
  - Stock levels expected to be sufficient to maintain sales
  - Whyalla fixed cost impact partly offset by increased EAF production and sale of materials that would otherwise be used in the blast furnace
  - Estimated minimal EBIT impact (between $0m - $10m)*

*Actual impact will depend on prices at time work is undertaken, including for iron ore and scrap

# Australian steel performance

- "Perfect storm" for external environment particularly in December quarter
  - Volume expectations adversely impacted by weaker confidence levels, destocking and deferrals
  - Prices adversely affected by rapid appreciation in AUD
  - Sharp increase in raw material costs
    - Benefit in raw material costs from rapid appreciation in AUD subject to P&L lag due to carrying inventory
- Australian price movements lag international price movements generally 2 – 4+ months
  - International prices trended up through the half
  - Price increases now announced for wide range of products, effective Feb – April for most products
- Margins and profit performance in March quarter continuing to be impacted by lag in benefit from international price movements and higher AUD on raw material costs
- Significant margin improvement expected in June quarter

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# Manufacturing price increases

- Reinforcing Bar/Rod
  - Announced Feb 11: $160 tonne

- HR Structurals
  - Announced Dec 10:  6%
  - Announced Feb 11: 13%

- Merchant Bar
  - Announced Feb 11: 14%

- Structural Pipe/RHS
  - Announced Dec 10: 7%
  - Feb 11: further price increases planned

Note: above increases are representative only and not the full range. Typically price increases effective February – April.  Distribution segment announced appropriate price increases reflecting increases from Manufacturing and other suppliers to take effect around similar timing

# Strategic investments – growth focus

- Iron Ore
  - Continuing to invest in proving up reserves and resources and in infrastructure to maximise iron ore sales through Project Magnet Phase 2
    - $135m investment in exploration, infrastructure and mine expansion currently underway, expect to incur $60m in 2H11 including :
      - Iron Baron OBP
      - Mine cutbacks
      - Mine infrastructure including access roads and fuel depots
      - Water supply infrastructure to Iron Chieftain and Iron Baron OBP
      - Continued exploration
    - More significant investment over medium term

- Mining Consumables
  - Increasing diversification to high growth sector
  - Acquisition of Moly-Cop and AltaSteel – USD 932m enterprise value

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# Project Magnet Phase 2

Ferrous

- As at 30 June 2010
  - We remain confident there is sufficient ore to maintain external sales of 6mtpa for at least 10yrs based on reserves and ongoing beneficiation of LGO
    - Hematite reserves at highest level since commencement of Project Magnet
      - Hematite reserves 46.2mt at year end
      - Reserves plus LGO (19.9mt x 0.5) = 56.2mt
      - Additional LGO added to stockpiles each year
- Encouraging progress on further exploration in FY11.  Expect to add to reserves and resources in 2011
- Further update will be provided at FY11 results
- Investment of $135m in exploration, infrastructure and mine expansion underway
  - Includes $17m incurred in 1H, expect to incur $60m in 2H

Non-ferrous

- Non-ferrous exploration progressing as expected
  - Finalising approvals
  - 2011 drilling approx. 11,000m
  - Expected capex $5m FY11

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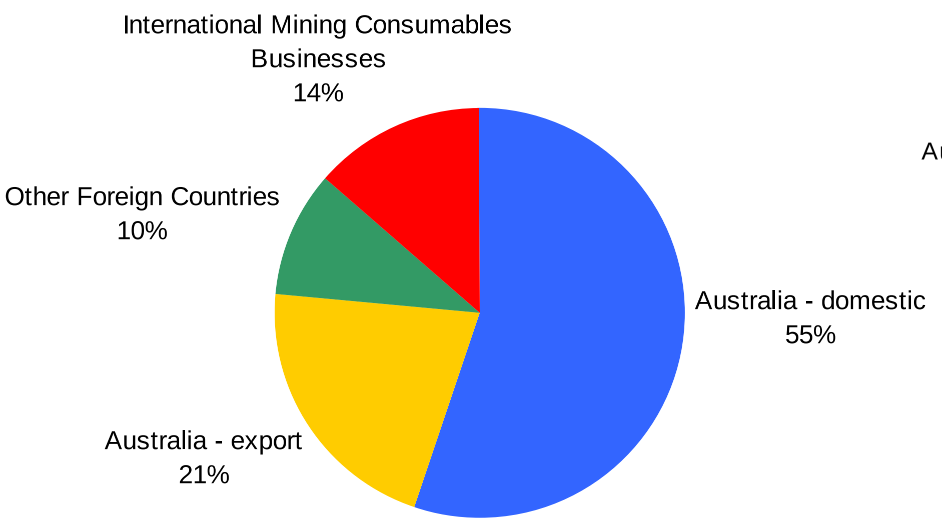
# Moly-Cop / AltaSteel acquisition

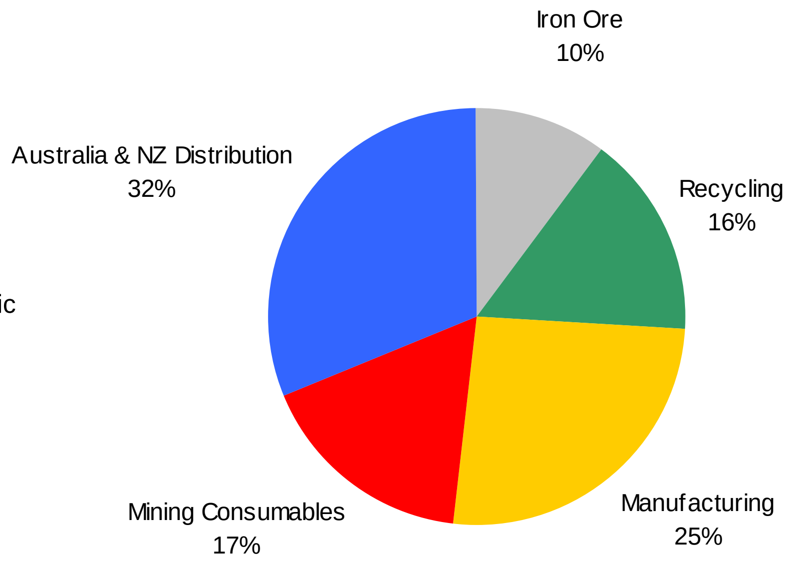
- Benefits include:
  - Established as a leader in global grinding media
  - Ideally positioned to capitalise on expected mining growth, particularly copper and gold production
    - Americas (Chile and Peru in particular) currently accounts for approx. 60% of global copper reserves
    - Grinding media growing faster than copper/gold production due to deteriorating head grades
    - Strong market positions in key Americas growth areas (Chile, Peru, Mexico, Canada, USA)
  - Provides global footprint for further growth in grinding media and mining consumables
  - Attractive and relatively stable margins due to price mechanisms
  - Increased diversification from Australian construction and infrastructure cycles
  - Existing available capacity to leverage growth
- Concentration of high quality customers – leading global resources companies
- Earnings performance for CY10 in line with expectations detailed at announcement last November

# OneSteel revenue by geography and segment

Proforma 1H11 Revenue by Geography*




Proforma 1H11 Revenue by Business Segment*




*Includes intersegment sales

# Outlook – short term

## International

- Remains positive for steel making raw materials and mining consumables
  - Supply/demand balance for iron ore and scrap expected to keep prices high compared to historical standards, but with volatility
- Iron ore - on track to achieve sales of 6.0 – 6.5mt, including approx. 2.0mt of MGO
  - Now expect to be around middle of range due to impact of extreme weather on mining and shipping schedule
- Mining consumables – continued strength in mining activity expected to underpin strong demand in the Americas and Australasia
- Recycling
  - International businesses to build on improved 1H
  - Australian business trading conditions expect to remain challenging until supply of arisings improves
  - Earnings expected to benefit from increased prices, improving activity levels and cost savings

# Outlook – short term (cont.)

## Australian steel

- Encouraging signs that volumes and prices have bottomed
  - Margins in March quarter continue to be impacted by lag impact
  - Margins in June quarter expected to benefit from announced price increases
- Some volume recovery expected through 2H from continued strength in resources sector and increased Government funded civil works projects
  - Broader improvement subject to extent and speed in economic recovery
- Production and operating levels expected to lift slightly in second half
  - Steelmake at Laverton and Sydney EAFs approx. 560-580kt (85% utilisation*)
  - Waratah approx. 130kt
  - Whyalla approx. 380kt (down due to scheduled blast furnace shut)

*Utilisation 70-75% excluding impact of blast furnace stock build

# Outlook – short term (cont.)

Earnings guidance

- Quantitative guidance not appropriate at this time due to high level of uncertainty around AUD, Australian and international prices for steel and steelmaking inputs and rate of recovery in economy

# Outlook – longer term

- Mining consumables expected to remain strong due to increased mining activity
- We remain confident we will see improvements in fundamentals for key Australian and international steel markets
  - We have confidence Australian steel demand will improve through increased activity associated with improving economic conditions
  - Prices for steelmaking inputs expected to be high compared to historical standards, with volatility and underpin improved prices for international and Australian steel

# Summary

- First half performance reflects the level of strength in markets of our different businesses, with international and resources focused businesses performing best
- The Iron Ore segment was the standout performer – record 1H
- Australian steel segments adversely affected by impact of rapid appreciation in AUD and weak demand due to continuing effects of GFC
- Completed mining consumables acquisition of Anglo American's Moly-Cop and AltaSteel
  - Increased diversification to high growth mining consumables sector
- Balance sheet remains sound
- Australian Manufacturing and Distribution businesses leveraged to both volume and price recovery
  - Encouraging signs that both volumes and prices have bottomed – improved outlook through 2H11
    - Volumes expect to benefit from increased infrastructure activity and as confidence levels and economic conditions improve
    - International and Australian steel prices trending up
    - Australian price increases announced and effective Feb - April
  - Margin improvement expected in 4th quarter
- Interim dividend 6 cents per share unfranked

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# 1H11 Results Presentation

## Appendix

22 February 2011

# Adverse weather

- Extreme weather during December/January
  - Queensland floods and cyclone, Victoria floods, Northern NSW floods, Whyalla storms
- Most significant impact at Whyalla – mining, shipping and ability to load impacted, leading to loss of 1-2 capes in FY11 shipping schedule
- Very minimal property damage overall
  - Oxley, Brisbane recycling collection facility affected most – completely flooded
- Small adverse impact to Australian steel demand and despatches in Queensland expected in 2H
- Expect to benefit from repair and re-building over medium term but extent and timing subject to whether there is additional or a reallocation in Government investment in infrastructure

# Exposure to movements in AUD

- Direct impact: 1 cent increase in AUD v USD = approx. negative $11 million EBIT impact (FY impact)
- This applies to direct exposures only and does not include impact on OneSteel’s competitive position against imported steel
- Includes overseas businesses including Moly-Cop and AltaSteel

# Segments - tonnage (mt)

| Half-year ended 31 December | 1H11 mt | 1H10 mt | 1H09 mt | 1H08[2] mt | 1H07 mt | 1H06 mt | 1H05 mt | 1H04 mt | 1H03 mt | 1H02 mt |
|---|---|---|---|---|---|---|---|---|---|---|
| **Iron Ore** | | | | | | | | | | |
| High grade lump | 0.95 | 1.36 | 0.68 | 1.32 | | | | | | |
| High grade fines | 1.06 | 1.64 | 1.34 | 0.57 | | | | | | |
| | 2.01 | 3.01 | 2.02 | 1.89 | | | | | | |
| Lower grade lump | 0.57 | 0.14 | 0.08 | - | | | | | | |
| Lower grade fines | 0.48 | 0.04 | 0.08 | - | | | | | | |
| | 1.05 | 0.18 | 0.16 | - | | | | | | |
| **Total lump & fines** | **3.06** | **3.19** | **2.18** | **1.89** | | | | | | |
| | | | | | | | | | | |
| **Pellets** | 0.08 | - | 0.02 | - | | | | | | |
| **Ore By Products[1]** | 0.23 | 0.22 | 0.34 | 0.34 | | | | | | |
| | | | | | | | | | | |
| **Recycling** | | | | | | | | | | |
| Ferrous - external | 0.51 | 0.36 | 0.39 | 0.39 | | | | | | |
| Ferrous - internal | 0.47 | 0.47 | 0.48 | 0.38 | | | | | | |
| **Total ferrous** | 0.98 | 0.83 | 0.87 | 0.77 | | | | | | |
| **Non-ferrous** | 0.13 | 0.08 | 0.08 | 0.08 | | | | | | |
| **Total Recycling** | **1.11** | **0.91** | **0.95** | **0.85** | | | | | | |
| | | | | | | | | | | |
| **Steel despatches** | | | | | | | | | | |
| Manufacturing - external | 0.69 | 0.69 | 0.77 | 0.79 | 0.48 | 0.46 | 0.42 | 0.43 | 0.49 | 0.49 |
| Manufacturing - internal | 0.46 | 0.52 | 0.55 | 0.62 | 0.35 | 0.31 | 0.31 | 0.29 | 0.27 | 0.25 |
| **Total Steel despatches - Manufacturing** | 1.15 | 1.21 | 1.32 | 1.41 | 0.83 | 0.77 | 0.73 | 0.73 | 0.76 | 0.74 |
| Australian Distribution | 0.66 | 0.65 | 0.81 | 0.83 | 0.66 | 0.64 | 0.68 | 0.63 | 0.62 | 0.61 |
| **Total Steel despatches - external** | 1.35 | 1.34 | 1.58 | 1.62 | 1.14 | 1.10 | 1.11 | 1.07 | 1.11 | 1.10 |
| | | | | | | | | | | |
| **Raw steel production** | | | | | | | | | | |
| Whyalla | 0.54 | 0.56 | 0.54 | 0.59 | 0.59 | 0.56 | 0.27 | 0.58 | 0.60 | 0.56 |
| Sydney Steel Mill | 0.20 | 0.21 | 0.26 | 0.31 | 0.28 | 0.24 | 0.27 | 0.24 | 0.23 | 0.23 |
| Laverton | 0.25 | 0.26 | 0.29 | 0.27 | - | - | - | - | - | - |
| Waratah | 0.12 | 0.11 | 0.13 | 0.09 | - | - | - | - | - | - |
| **Total raw steel production** | 1.11 | 1.14 | 1.23 | 1.26 | 0.88 | 0.80 | 0.54 | 0.82 | 0.83 | 0.79 |

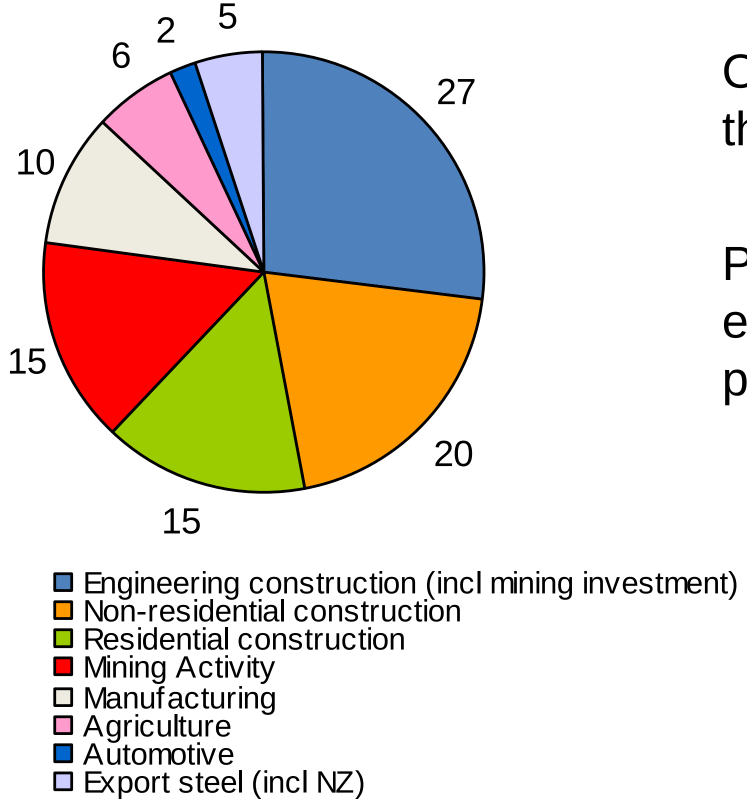
Note: Tonnages reported exclude NZ Distribution.

1 Ore By Products include dolomite, centrix, filter cake and pellet chips.

2 The 1H08 tonnages reported for raw steel production and steel despathes include the SSX businesses as if they were part of the OneSteel Group from 1 July 2007. All other production and despatch statistics presented above are actual.

# OneSteel key Australian steel revenue segments

Estimated end market segment contribution
to OneSteel Australian sales revenue (%)




OneSteel management estimates for the year ended 31 December 2010

Percentages are approximate and exclude Recycling and overseas production

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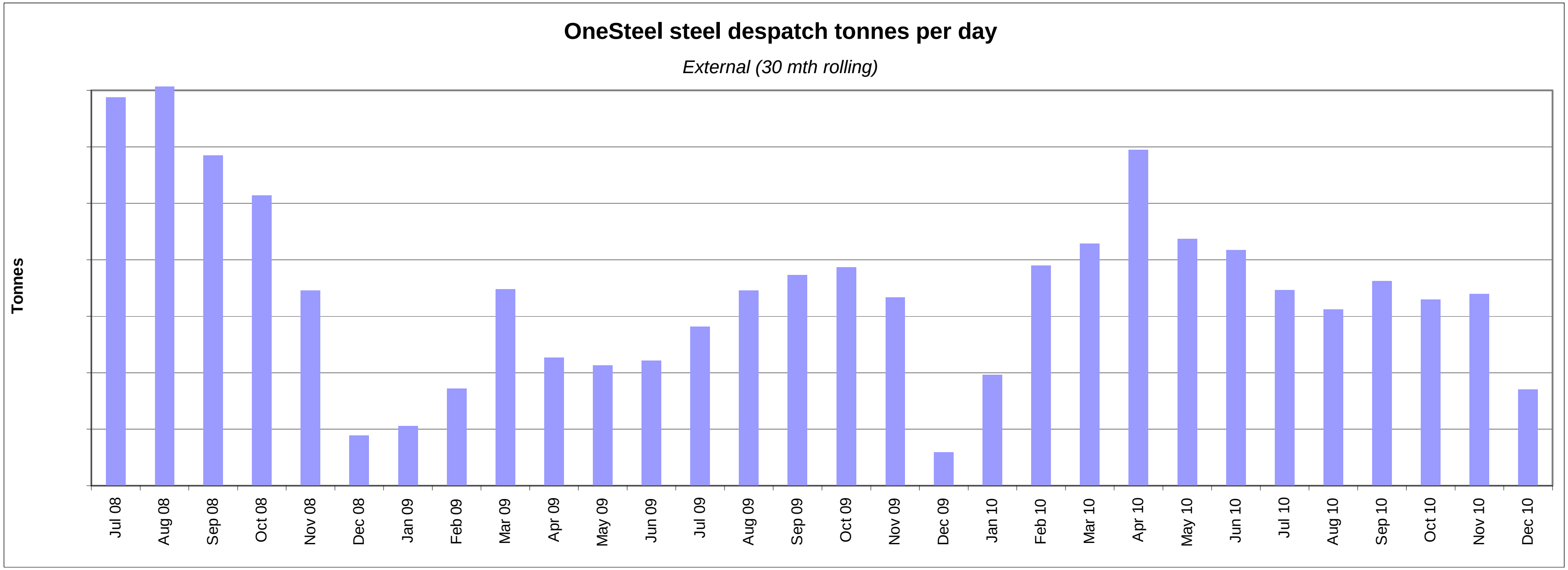
# Movement in steel despatch tonnes per day

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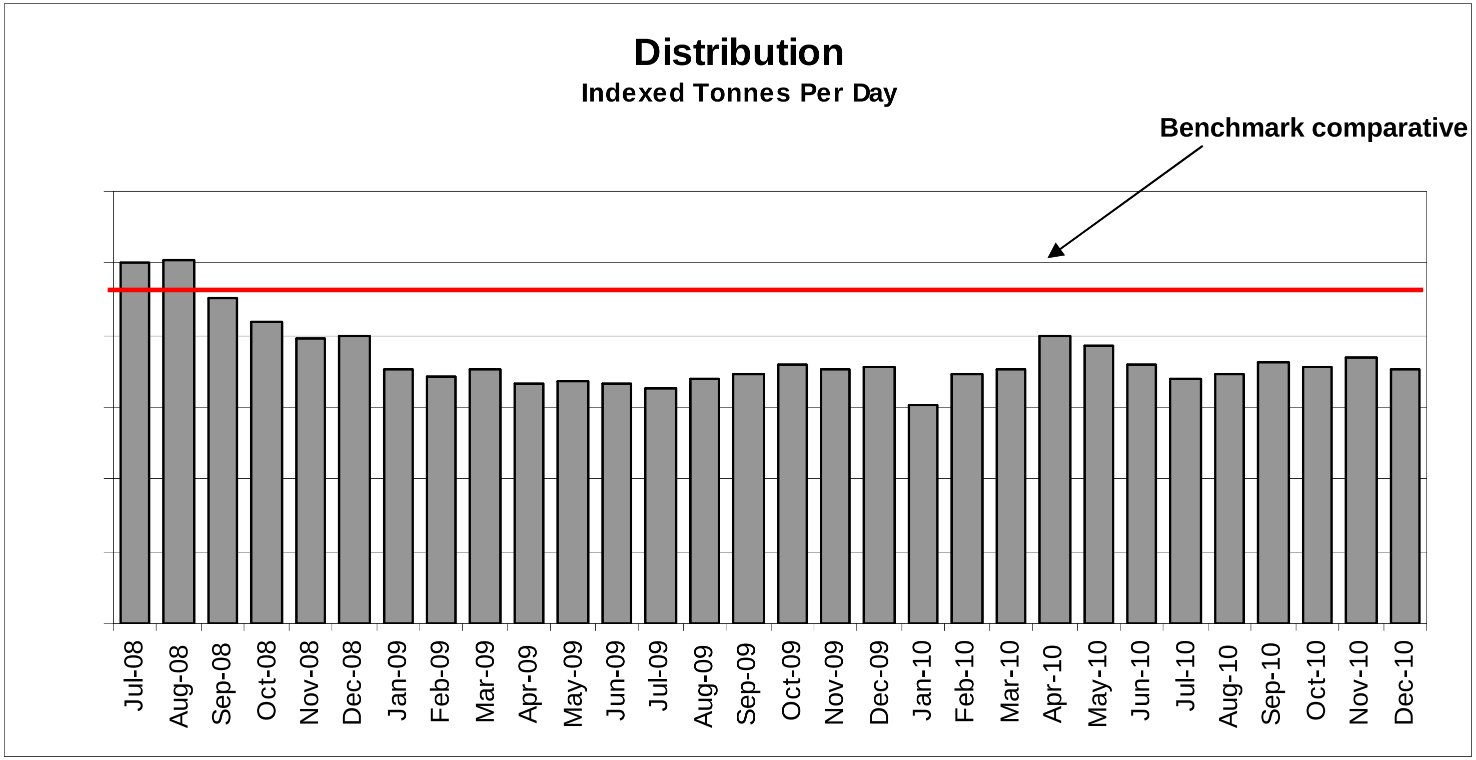
# Movement in AU Distribution sales tonnes per day




Source: OneSteel

Benchmark comparative line is based on the average volumes for the period from Jul '07 to Mar '08 (excludes Oil & Gas)

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# Major upcoming projects:

- NSW
  - Sapphire Beach to Woolgoolga Project
  - Grocon Offices – Castlereagh St
  - Barangaroo Development
  - Hunter Expressway
  - Kempsey Bypass Stage 2
  - Bulahdelah Bypass
- QLD
  - Tri Facilities PA Hospital
  - QC LNG Plant, Gladstone
  - New Queensland Children's Hospital
- VIC
  - Peninsula Link
  - Eastern Treatment Plant
  - Victorian Desalination Plant
  - Royal Children's Hospital
  - Melbourne Markets Relocation Project
- SA
  - ARTC – East – West Corridor (NSW & SA)
  - South Road Super Highway
  - New Royal Adelaide Hospital
  - Seaford Rail Extension Project
- WA
  - Westnet Rail Upgrades – Eastern Goldfields and Mid West Region
  - Gorgon LNG Project
  - RGP6 – BHP Rapid Growth Project

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# LiteSteel$^{TM}$ Technologies

- Australia
  - LST Australia's rate of market penetration softened in line with the conclusion of the investment in the Building Education Revolution (BER) together with a relative softening of demand in residential construction segment
  - The business has continued development of other commercial applications – such as residential flooring system kits and mezzanine flooring solutions – in line with previously articulated strategies
  - Continuing to leverage our learnings from Australian market experience for the USA market introduction
- USA
  - Virginia plant now operating more efficiently with all commissioning completed
  - Targeted distribution channels expansion secured to plan.  Now includes west coast and southern state markets
  - Growth rates will be conditional on recovery of USA economy and rebound of core construction markets
  - Focus on optimising market penetration
- Japan
  - Continuing to support our marketing partner Maruichi Steel Tube Ltd in Australian sales for the Japanese market

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# Proposed Minerals Resource Rent Tax (MRRT)

- OneSteel does not support the proposed MRRT
- OneSteel has argued that:
  - The MRRT should not apply to the iron ore feed to the Whyalla Steelworks due to the impact on OneSteel's competitive position
  - The MRRT should not apply to OneSteel's export sales because OneSteel already pays an economic rent on these sales. OneSteel's mining rights were predicated on investment in the Steelworks which have historically earned poor returns, but provided significant benefit for Whyalla and South Australia.
- The Policy Transition Group released its report to the Government on 21 December. The Government is yet to respond. The report includes a Safe Harbour capital allowance deduction for integrated operations. While encouraging in respect of feed to the Steelworks, at this time there is insufficient detail to be confident there will be no MRRT on the iron ore feed.
- We will continue to focus on ensuring the proposed tax will not affect our competitive position and that the draft legislation properly reflects the stated principles of the tax

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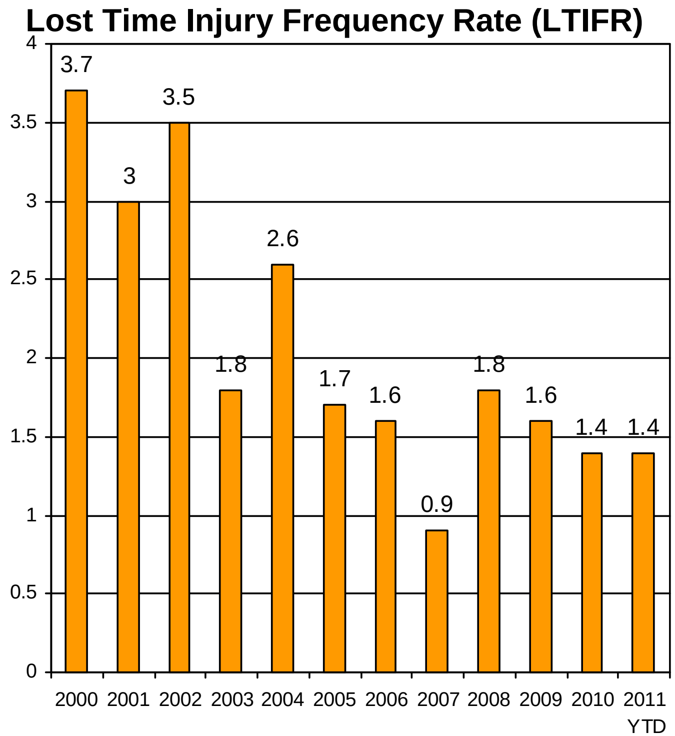
# OneSteel's carbon emissions

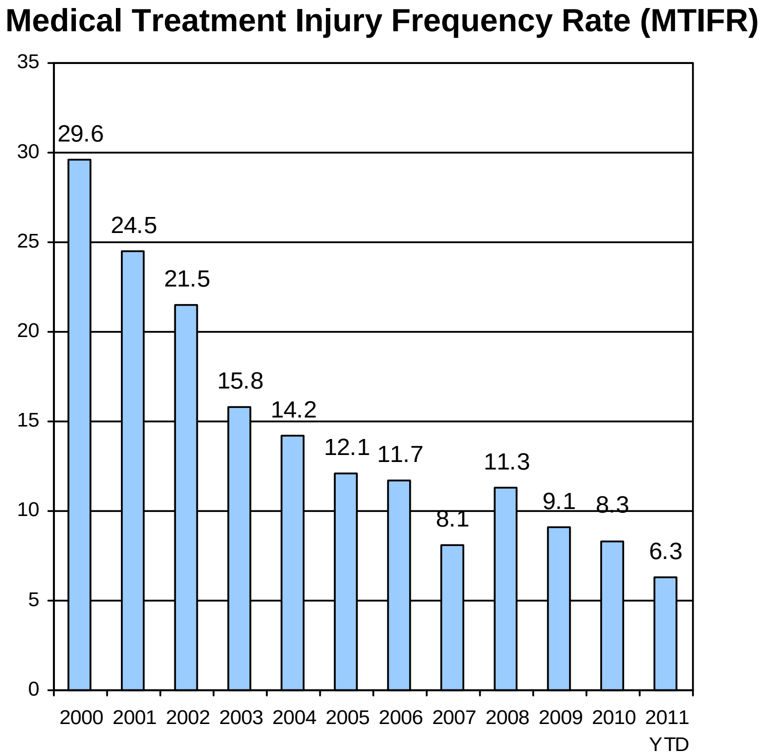
- OneSteel generated 3.9mt of CO2-e in FY10*
- Carbon pricing remains uncertain
- Continuing to look for opportunities to reduce energy consumption for commercial and environmental reasons
- Key principle for OneSteel is that any policy that imposes a price on carbon should be designed with the aim of reducing global (not just Australian) emissions and in a way that does not adversely impact the competitiveness of OneSteel, and the Australian manufacturing industry more generally

* FY10 is not considered a representative year due to continuing effects of GFC.  FY08 represents close to full production – emissions were 4.6mt

# 1H11 safety performance




Per million hours worked




Per million hours worked

From 2008 the LTIFR and MTIFR Statistics include the former Smorgon Steel sites. The AltaSteel and Moly-Cop businesses will commence reporting from January 2011

A key element of our Safety Effort has been improving capability to recognize, assess and manage risk

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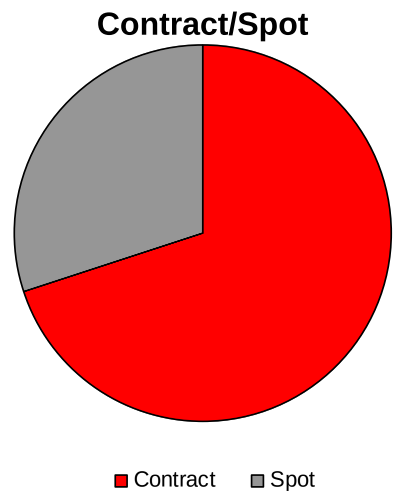
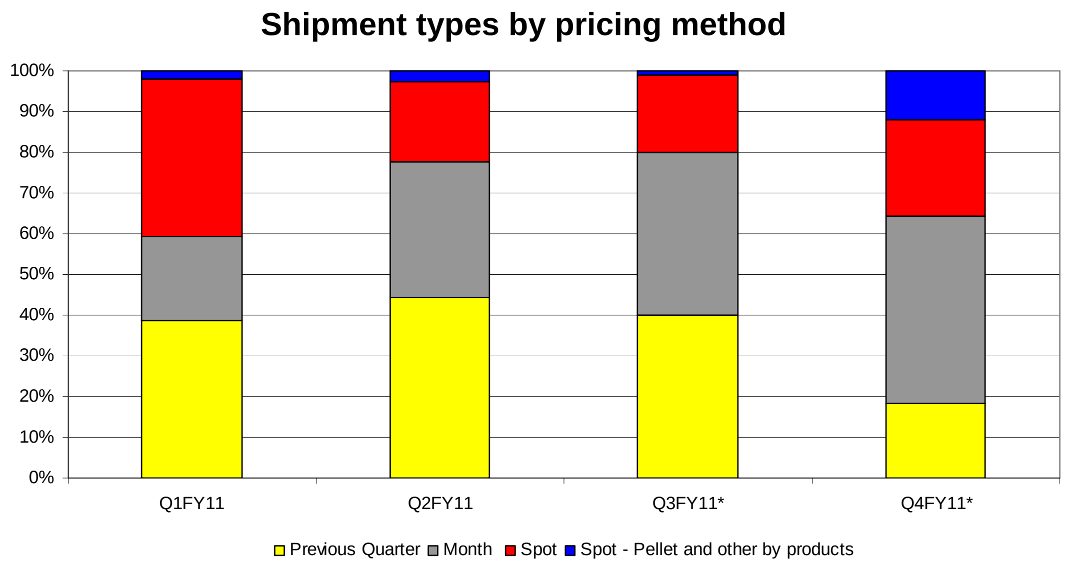
# Iron Ore – 1H11 shipments




Pricing:
* Estimated
Previous Quarter = average (spot price) over previous quarter
Month = pricing based on average of monthly spot price (includes previous pricing at M-1)

# 1H11 financial overview

## Summary of facilities[1]

| Maturity | Type of Facility | Facility Amount A$m |
|---|---|---|
| Jul-11 | Inventory facility | 100 |
| Jul-11 | US note issues | 57 |
| Nov-11 | USD bridge* | 492 |
| Jan-12 | Syndicated loan | 223 |
| Aug-12 | Syndicated loan | 1,100 |
| Jun-13 | US note issues | 40 |
| Aug-13 | Syndicated loan | 295 |
| Oct-13 | Bi-laterals | 250 |
| Jul-14 | US note issues* | 30 |
| Aug-14 | Syndicated loan | 295 |
| Apr-15 | US note issues | 98 |
| Jun-15 | US note issues | 32 |
| Jul-15 | US note issues* | 49 |
| Jul-18 | US note issues* | 96 |
| Jul-20 | US note issues* | 52 |
| Total | | 3,209 |

[1]As at 31 December 2010

*Conversion of USD debt at closing rate of 1.0172

# 1H11 market conditions

## International Traded Prices

| Raw Material/Input International Traded Prices* | Jul-Dec 2010 | Jul-Dec 2009 |
|---|---|---|
| US$ Korean Scrap prices* | $403 (range $359-$450) | $337 (range $295-$365) |
| US$ Asian HRC prices* | $618 (range $605-$630) | $528 (range $490-$590) |
| US$ Coking coal* – contract price | $217 (range $209-$225) | $129 |
| US$ Coking coal* – spot price | $213 (range $190-$225) | $163 (range $140-$170) |
| **Revenue Drivers International Traded Prices*** | | |
| US$ Iron ore – contract price* (Hamersley lump, export FOB, US$/dmtu) | $2.43 (range $2.26-$2.60) | $1.12 |
| US$ Iron ore – spot price* (India into China, $/t, cif, fines 63% Fe) | $154 (range $123-$173) | $73 (range $61-$85) |
| US$ Asian Beams price* | $698 (range $685-$730) | $621 (range $590-$640) |
| US$ Asian Mebar price* | $636 (range $630-$650) | $565 (range $550-$585) |
| US$ Asian Rebar price* | $589 (range $550-$625) | $516 (range $490-$540) |
| US$ Asian LC Rod price* | $587 (range $540-$630) | $521 (range $500-$540) |
| US$ Asian Long Products price* (average of beams/mebar/rebar/lc rod) | $627 (range $540-$730) | $554 (range $490-$640) |

*Prices quoted are traded international prices, not OneSteel's realised prices
Source: Tex Report, CRU and SBB

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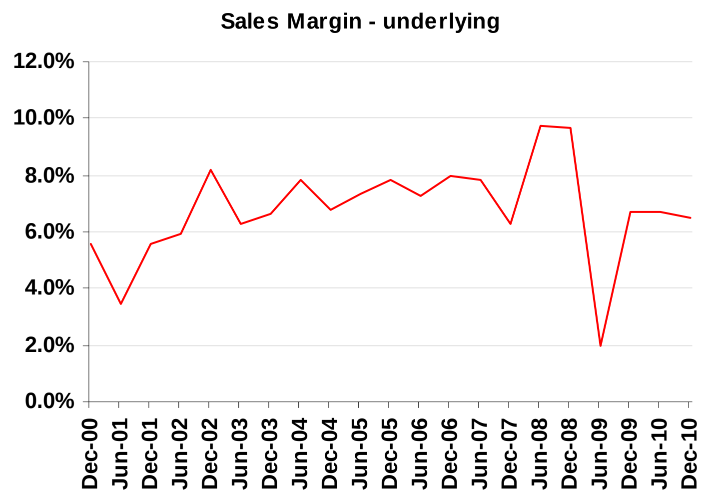
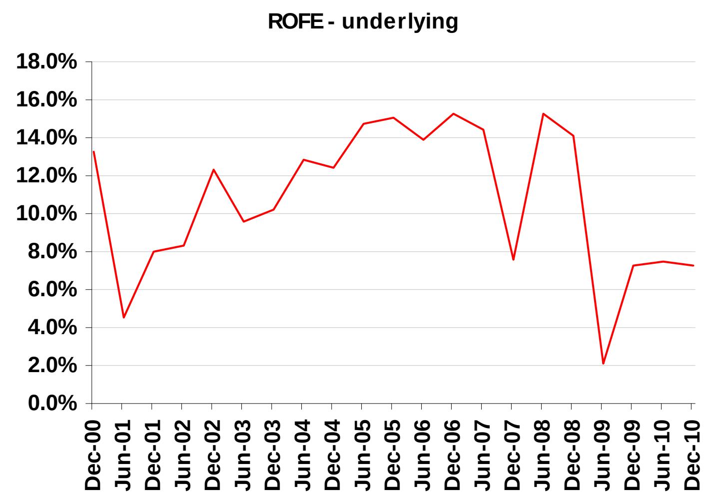
# Non-ferrous exploration

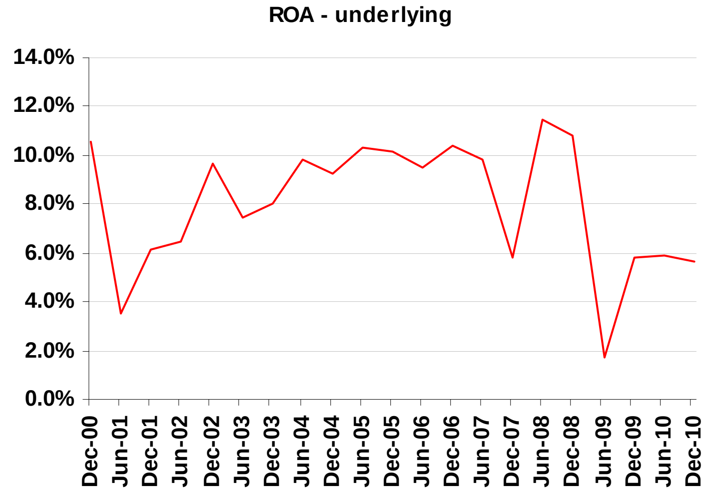
Update

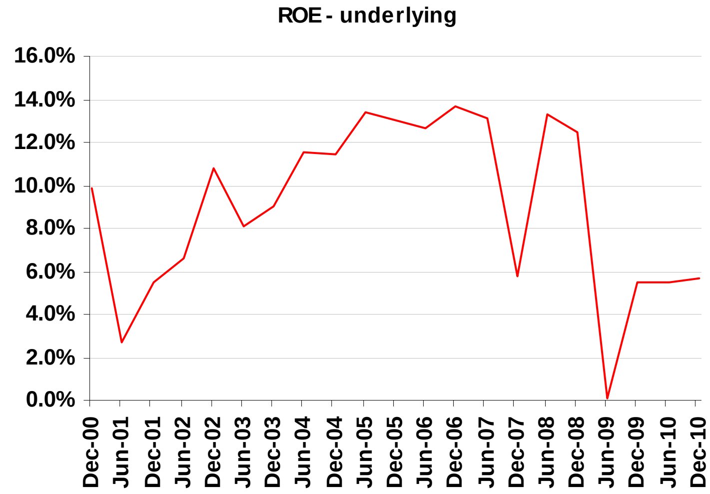
- High resolution gravity survey completed
- Processing and interpretation of geophysical data completed and drill targets defined for 2011
- R&D projects completed
- Exploration works approval submitted to PIRSA
- Notices served to landowners
- Request for heritage clearance survey forwarded
- Drill rig secured to commence work once all regulatory approvals in place
- Relevant geological staff sourced and secured
- Expected to drill 11,000m in CY2011
- Expected capex $5m FY11

# 1H11 financial overview

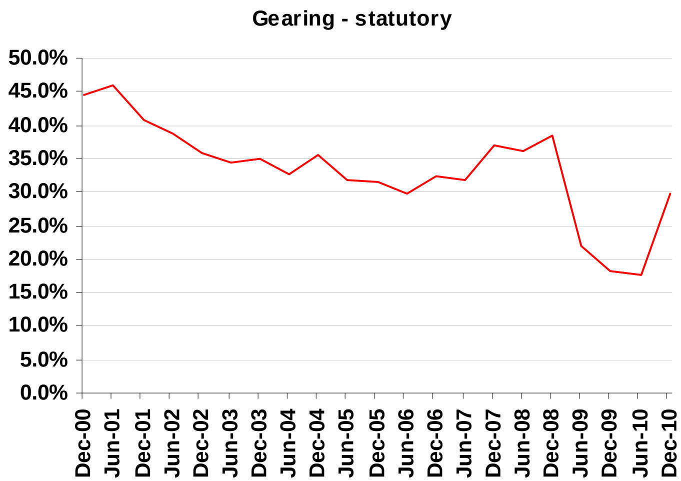


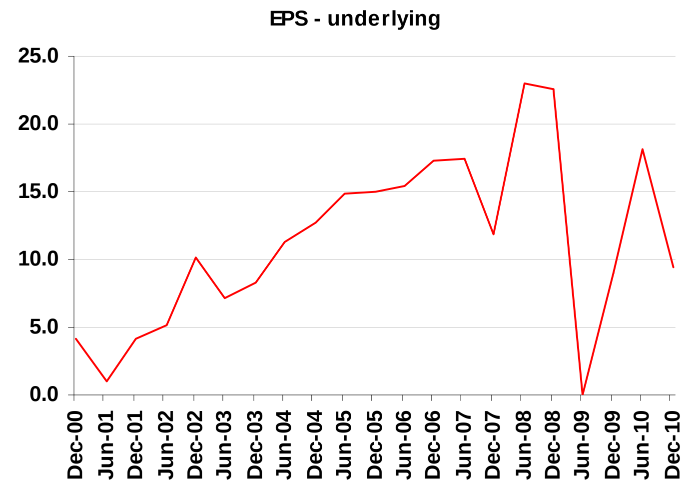



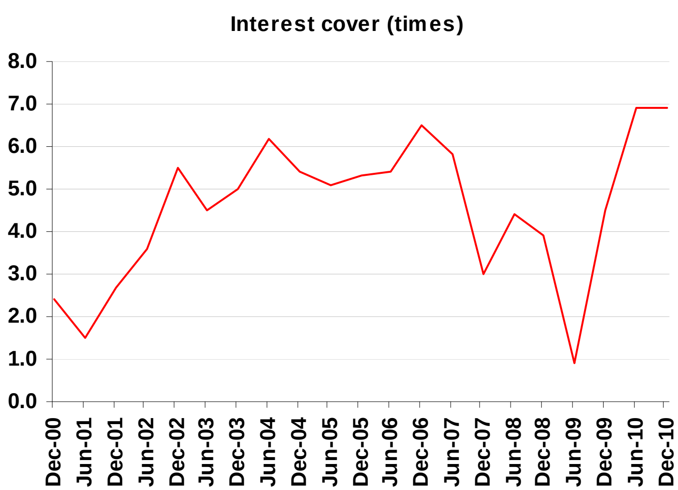



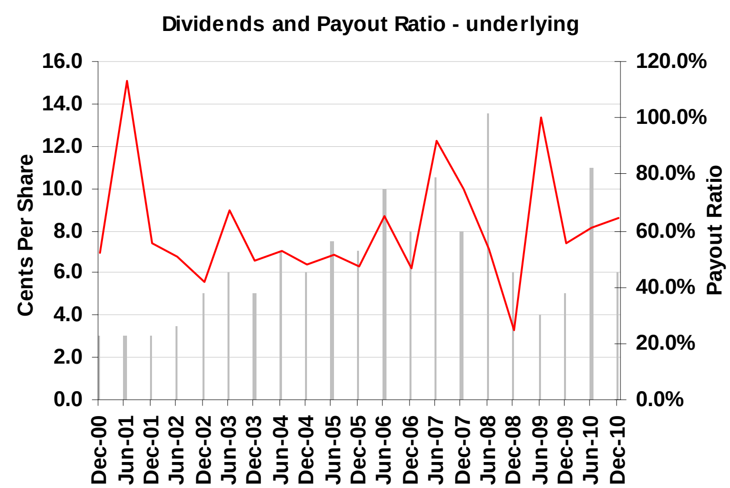



# 1H11 financial overview



# Historical data – 6 months ended 31 December

## Profit and Loss - Underlying

| Half-year ended 31 December | 2010[2] $m | 2009[3] $m | 2008[4] $m | 2007[5] $m | 2006 $m | 2005 $m | 2004[1] $m | 2003[1] $m | 2002[1] $m | 2001[1] $m |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sales Revenue** | **3,315.1** | 2,973.6 | 4,127.6 | 3,218.3 | 2,134.3 | 1,988.8 | 1,890.5 | 1,566.7 | 1,525.0 | 1,473.2 |
| **EBITDA** | **315.5** | 297.8 | 498.5 | 288.4 | 218.0 | 203.5 | 173.7 | 146.9 | 168.2 | 125.6 |
| **Depreciation and Amortisation** | **(100.6)** | (98.7) | (98.0) | (86.1) | (48.1) | (47.4) | (45.0) | (43.1) | (43.3) | (43.4) |
| **EBIT** | **214.9** | 199.1 | 400.5 | 202.3 | 169.9 | 156.1 | 128.7 | 103.8 | 124.9 | 82.2 |
| **Finance costs** | **(46.0)** | (44.6) | (101.6) | (67.0) | (26.3) | (29.4) | (23.9) | (20.8) | (22.9) | (30.6) |
| **Profit before tax** | **168.9** | 154.5 | 298.9 | 135.3 | 143.6 | 126.7 | 104.8 | 83.0 | 102.0 | 51.6 |
| **Tax expense** | **(40.9)** | (34.3) | (75.1) | (37.6) | (39.2) | (34.5) | (25.5) | (22.0) | (32.5) | (19.1) |
| **Minority Interests** | **(3.3)** | (1.2) | (8.7) | (4.3) | (6.2) | (8.1) | (9.0) | (5.2) | (4.7) | (3.6) |
| **Net profit after tax** | **124.7** | 119.0 | 215.1 | 93.4 | 98.2 | 84.1 | 70.3 | 55.8 | 64.8 | 28.9 |
| **EPS (cents) - year end** | **9.3** | 9.0 | 24.4 | 10.7 | 17.1 | 14.8 | 12.5 | 10.1 | 12.0 | 5.4 |
| **Return on funds employed** | **7.3%** | 7.3% | 14.1% | 7.6% | 15.3% | 15.1% | 12.4% | 10.2% | 12.3% | 8.0% |
| **Dividend (cents/share)** | **6.0** | 5.0 | 6.0 | 8.0 | 8.0 | 7.0 | 6.0 | 5.0 | 5.0 | 3.0 |

1. The underlying results presented for the years 2001 - 2004 have been adjusted to exclude goodwill amortisation from earnings.
2. Dec 10 underlying earnings are before the impact of direct costs relating to the acquisition of the Moly-Cop Group of $8.5m, net of tax.
3. Dec 09 underlying earnings are before the impact of restructuring activities of $1.6m net of tax
4. Dec 08 underlying earnings are before the impact of restructuring activities and tax consolidation of $13.2m net of tax.
5. Dec 07 underlying earnings are before 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 net of tax. 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.

# Historical data – 6 months ended 31 December

## Balance Sheet

| As at 31 December | 2010 $m | 2009 $m | 2008 $m | 2007 $m | 2006 $m | 2005 $m | 2004[1] $m | 2003[1] $m | 2002[1] $m | 2001[1] $m |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | **8,170.8** | 6,729.5 | 7,520.7 | 6,999.2 | 3,375.3 | 3,058.3 | 2,748.1 | 2,609.6 | 2,602.9 | 2,625.4 |
| **Liabilities** | **3,691.2** | 2,347.3 | 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** | **4,479.6** | 4,382.2 | 3,656.5 | 3,362.8 | 1,571.2 | 1,438.4 | 1,282.2 | 1,304.1 | 1,271.1 | 1,200.7 |
| **Net debt** | **1,891.6** | 969.9 | 2,269.8 | 1,985.6 | 753.1 | 660.0 | 709.0 | 696.9 | 712.6 | 822.2 |
| **Inventory** | **1,690.6** | 1,270.4 | 1,727.7 | 1,308.5 | 888.8 | 840.2 | 758.8 | 646.5 | 626.0 | 608.0 |
| **Receivables** | **754.7** | 695.1 | 851.3 | 925.2 | 605.3 | 559.0 | 517.4 | 437.8 | 390.6 | 378.5 |
| **Creditors** | **832.7** | 596.4 | 832.0 | 883.7 | 586.9 | 503.7 | 601.0 | 453.2 | 419.3 | 403.6 |
| **Funds Employed** | **6,371.2** | 5,352.1 | 5,926.3 | 5,348.4 | 2,324.3 | 2,098.4 | 1,991.2 | 2,001.0 | 1,983.7 | 2,022.9 |
| **Gearing % (net debt/net debt+equity)** | **29.7%** | 18.1% | 38.3% | 37.1% | 32.4% | 31.5% | 35.6% | 34.8% | 35.9% | 40.6% |
| **Interest cover (times EBITDA)** | **6.9** | 6.7 | 4.9 | 4.3 | 8.3 | 7.0 | 7.3 | 7.1 | 7.3 | 4.1 |
| **NTA/Share $** | **1.3** | 1.7 | 1.7 | 1.4 | 2.3 | 2.0 | 1.8 | 1.8 | 1.8 | 1.7 |

1 2001-2004 figures have been presented under previous AGAAP and have been adjusted to include securitisation.

# Historical data – 6 months ended 31 December

## Cash Flow Reconciliation – Historical Data

| Half-year ended 31 December | 2010<br>$m | 2009<br>$m | 2008<br>$m | 2007<br>$m | 2006<br>$m | 2005<br>$m | 2004<br>$m | 2003<br>$m | 2002<br>$m | 2001<br>$m |
|---|---|---|---|---|---|---|---|---|---|---|
| **Profit after tax** | **119.5** | 118.6 | 237.0 | 67.9 | 104.4 | 92.2 | 79.3 | 50.7 | 59.6 | 23.3 |
| **Depreciation, amortisation and impairment** | **100.6** | 98.7 | 96.2 | 91.1 | 48.1 | 47.4 | 45.0 | 43.1 | 43.3 | 43.4 |
| **Non-cash items** | **(7.4)** | (8.2) | (22.2) | 12.9 | (2.4) | 0.2 | (1.0) | 2.7 | 9.9 | 7.9 |
| **Working capital movements** | **(55.9)** | 114.5 | (273.4) | (25.6) | (59.3) | (46.1) | (67.2) | (40.5) | (3.7) | (73.6) |
| **Operating cash flow** | **156.8** | 323.6 | 37.6 | 146.3 | 90.8 | 93.7 | 56.1 | 56.0 | 109.1 | 1.0 |
| **Capital expenditure** | **(98.8)** | (70.2) | (102.6) | (160.8) | (174.9) | (110.9) | (63.6) | (44.8) | (26.4) | (22.1) |
| **Free Cash Flow (Statutory)** | **58.0** | 253.4 | (65.0) | (14.5) | (84.1) | (17.2) | (7.5) | 11.2 | 82.7 | (21.1) |
| **Investment expenditure** | **(992.9)** | (0.9) | (2.9) | (425.0) | (2.1) | (4.0) | 0.0 | (0.2) | 0.0 | 0.0 |
| **Asset Sales** | **0.9** | 0.5 | 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 & investing cash flow** | **(934.0)** | 253.0 | (35.6) | (438.5) | (82.7) | (18.8) | (3.2) | 22.0 | 76.1 | 76.5 |

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# Historical data – 6 months ended 31 December

## Iron Ore – Historical Information

| Half-year ended 31 December | 2010<br>$m | 2009[1]<br>$m | 2008<br>$m | 2007<br>$m |
|---|---|---|---|---|
| Total Revenue/Income | 465.3 | 331.1 | 291.7 | 222.3 |
| EBITDA | 289.7 | 126.1 | 68.9 | 92.1 |
| EBIT | 275.5 | 113 | 56.6 | 89.1 |
| Sales Margin | 59.2% | 34.1% | 19.4% | 40.1% |
| Assets | 849.6 | 794.8 | 713.3 | 479.2 |
| Funds Employed | 735.7 | 708.0 | 620.8 | 427.0 |
| Return on funds employed | 75.8% | 32.4% | 9.1% | 41.7% |
| Employees (number) | 338 | 352 | 334 | 128 |
| Total lump & fines (mt) | 3.06 | 3.19 | 2.18 | 1.89 |
| Pellet & Ore by products (mt) | 0.31 | 0.22 | 0.36 | 0.34 |

1 The December 2009 results have been restated to reflect changes in organisation structure announced in February 2010 effective 1 July 2009. The pellet plant operations previously reported as part of the Manufacturing segment are now reported as part of the Iron Ore segment

# Historical data – 6 months ended 31 December

## Recycling – Historical Information

| Half-year ended 31 December | 2010 $m | 2009 $m | 2008 $m | 2007 $m |
|---|---|---|---|---|
| Total Revenue/Income | 714.4 | 492.1 | 685.9 | 527.4 |
| EBITDA | 3.2 | 3.8 | (29.0) | 10.4 |
| EBIT | (5.3) | (3.6) | (37.0) | 5.7 |
| Sales Margin | -0.7% | -0.7% | -5.4% | 1.1% |
| Assets | 647.0 | 614.0 | 671.3 | 628.3 |
| Funds Employed | 567.5 | 548.9 | 604.8 | 536.5 |
| Return on funds employed | -1.8% | -1.3% | -12.1% | 2.1% |
| Employees (number) | 1,017 | 962 | 1,010 | 1,054 |
| Ferrous tonnes - external (mt) | 0.51 | 0.36 | 0.39 | 0.39 |
| Ferrous tonnes - internal (mt) | 0.47 | 0.47 | 0.48 | 0.38 |
| Non-ferrous tonnes (mt) | 0.13 | 0.08 | 0.08 | 0.08 |

# Historical data – 6 months ended 31 December

## Manufacturing – Historical Information

| Half-year ended 31 December | 2010<br>$m | 2009[1]<br>$m | 2008<br>$m | 2007<br>$m | 2006<br>$m | 2005<br>$m | 2004<br>$m | 2003<br>$m | 2002<br>$m | 2001<br>$m |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Revenue/Income | 1,396.3 | 1,478.5 | 2,165.9 | 1,516.0 | 1,051.0 | 893.5 | 872.2 | 686.9 | 688.0 | 630.2 |
| EBITDA | (11.7) | 130.1 | 296.4 | 120.1 | 109.4 | 82.7 | 56.7 | 66.3 | 84.4 | 59.3 |
| EBIT | (71.3) | 72.0 | 240.7 | 62.8 | 81.2 | 53.9 | 30.2 | 43.3 | 62.3 | 35.6 |
| Sales Margin | -5.1% | 4.9% | 11.1% | 4.1% | 7.7% | 6.0% | 3.5% | 6.3% | 9.1% | 5.7% |
| Assets | 3,639.0 | 3,583.2 | 3,830.8 | 3,802.2 | 1,829.6 | 1,502.6 | 1,271.8 | 1,318.7 | 1,273.8 | 1,288.7 |
| Funds Employed | 3,078.6 | 3,057.7 | 3,269.1 | 3,163.1 | 1,443.5 | 1,164.7 | 977.3 | 1,071.6 | 1,061.6 | 1,062.8 |
| Return on funds employed | -4.6% | 4.6% | 7.4% | 4.0% | 12.0% | 9.6% | 5.9% | 8.0% | 11.7% | 6.7% |
| Employees (number) | 4,289 | 4,300 | 4,789 | 4,687 | 3,213 | 2,986 | 2,951 | 2,943 | 3,016 | 3,113 |
| External tonnes despatched (mt) | 0.69 | 0.69 | 0.77 | 0.79 | 0.48 | 0.46 | 0.42 | 0.43 | 0.49 | 0.49 |
| Internal tonnes despatched (mt) | 0.46 | 0.52 | 0.55 | 0.62 | 0.35 | 0.31 | 0.31 | 0.29 | 0.27 | 0.25 |
| Steel tonnes produced (mt) | 1.11 | 1.14 | 1.23 | 1.26 | 0.88 | 0.80 | 0.54 | 0.82 | 0.83 | 0.79 |

1 The December 2009 results have been restated to reflect changes in organisation structure announced in February 2010 effective 1 July 2009. The pellet plant operations previously reported as part of the Manufacturing segment are now reported as part of the Iron Ore segment

# Historical data – 6 months ended 31 December

## Australian Distribution – Historical Information

| Half-year ended 31 December | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|---|---|---|
| | $m | $m | $m | $m | $m | $m | $m | $m | $m | $m |
| Total Revenue/Income | 1,257.5 | 1,295.7 | 1,914.0 | 1,437.2 | 1,224.6 | 1,177.9 | 1,106.3 | 955.4 | 896.3 | 897.0 |
| EBITDA | 24.8 | 66.6 | 177.6 | 74.2 | 108.2 | 105.4 | 103.0 | 72.8 | 84.7 | 67.7 |
| EBIT | 10.2 | 51.0 | 161.0 | 57.7 | 92.8 | 90.8 | 88.6 | 56.0 | 65.8 | 50.7 |
| Sales Margin | 0.8% | 3.9% | 8.4% | 4.0% | 7.6% | 7.7% | 8.0% | 5.9% | 7.3% | 5.7% |
| Assets | 1,457.7 | 1,481.4 | 1,859.8 | 1,564.6 | 1,270.7 | 1,276.1 | 1,326.3 | 1,203.8 | 1,196.2 | 1,183.5 |
| Funds Employed | 1,147.9 | 1,180.5 | 1,469.0 | 1,136.0 | 946.1 | 997.1 | 1,012.5 | 957.6 | 891.7 | 873.1 |
| Return on funds employed | 1.8% | 8.7% | 23.9% | 10.2% | 19.7% | 18.4% | 17.8% | 12.3% | 14.6% | 11.6% |
| Employees (number) | 3,491 | 3,637 | 4,246 | 4,384 | 3,286 | 3,267 | 3,296 | 3,172 | 3,091 | 3,209 |
| External tonnes despatched (mt) | 0.66 | 0.65 | 0.81 | 0.83 | 0.66 | 0.64 | 0.68 | 0.63 | 0.62 | 0.61 |

# Historical data – 6 months ended 31 December

## New Zealand Distribution – Historical Information

| Half-year ended 31 December | 2010 $m | 2009 $m | 2008 $m | 2007 $m | 2006 $m | 2005 $m | 2004 $m | 2003 $m | 2002 $m | 2001 $m |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Revenue/Income | 149.3 | 154.5 | 229.8 | 214.7 | 194.8 | 204.4 | 198.6 | 161.5 | 142.1 | 144.1 |
| EBITDA | 12.2 | 7.4 | 31.7 | 18.4 | 23.3 | 28.3 | 30.9 | 20.6 | 17.8 | 13.0 |
| EBIT | 9.7 | 4.8 | 28.9 | 15.8 | 20.7 | 25.8 | 28.3 | 18.1 | 15.6 | 10.5 |
| Sales Margin | 6.5% | 3.1% | 12.6% | 7.4% | 10.6% | 12.6% | 14.2% | 11.2% | 11.0% | 7.3% |
| Assets | 158.2 | 160.1 | 241.6 | 207.1 | 197.7 | 184.8 | 178.9 | 149.6 | 135.8 | 135.8 |
| Funds Employed | 109.4 | 136.4 | 213.0 | 178.2 | 165.1 | 155.0 | 147.5 | 125.0 | 111.7 | 94.1 |
| Return on funds employed | 17.3% | 6.6% | 29.9% | 17.5% | 26.8% | 33.1% | 39.8% | 28.9% | 28.9% | 17.5% |
| Employees (number) | 708 | 746 | 837 | 859 | 892 | 805 | 803 | 772 | 613 | 573 |

# 1H11 financial overview

## Statutory vs Underlying Results

| Variances between Underlying and Statutory Earnings | EBITDA | | EBIT | | Profit before tax | | Net profit after tax | | Tax benefit / (expense) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1H11 $m | 1H10 $m | 1H11 $m | 1H10 $m | 1H11 $m | 1H10 $m | 1H11 $m | 1H10 $m | 1H11 $m | 1H10 $m |
| **Statutory result** | **303** | 296 | **203** | 197 | **157** | 152 | **116** | 117 | **(41)** | (34) |
| Acquisition costs[1] | **12** | - | **12** | - | **12** | - | **9** | - | **(4)** | - |
| Restructuring costs[2] | **-** | 2 | **-** | 2 | **-** | 2 | **-** | 2 | **-** | - |
| **Underlying result** | **316** | 298 | **215** | 199 | **169** | 154 | **125** | 119 | **(44)** | (34) |

1 Direct costs relating to the acquisition of the Moly-Cop Group.
2 In the prior half-year, restructuring costs relate to redundancies from organisational changes and other direct expenditure associated with business restructures.

# New segments proforma financial history

## Manufacturing - Proforma Historical Information

| | 1H11<br>$m | FY10<br>$m | FY09<br>$m | FY08<br>$m |
|---|---|---|---|---|
| Revenue/Income | 1,140.8 | 2,472.9 | 3,100.5 | 3,128.1 |
| EBITDA | (41.6) | 100.8 | 285.6 | 243.3 |
| EBIT | (91.1) | 0.9 | 190.7 | 133.1 |
| Sales margin | -8.0% | 0.0% | 6.2% | 4.3% |
| Assets | 2,555.7 | 2,625.0 | 2,599.9 | 2,881.9 |
| Funds Employed | 2,072.9 | 2,055.5 | 2,149.4 | 2,203.2 |
| Return on funds employed | -8.8% | 0.0% | 8.8% | 6.0% |
| Employees | 3,406 | 3,394 | 3,712 | 4,196 |
| External tonnes despatched (mt) | 0.49 | 1.06 | 1.02 | 1.43 |
| Internal tonnes despatched (mt) | 0.51 | 1.12 | 0.97 | 1.29 |
| Steel tonnes produced (mt) | 0.99 | 1.91 | 1.79 | 2.47 |

Notes

The financial information presented includes the results of the Moly-Cop Group as if they had formed part of the OneSteel Group from 1 July 2007. These numbers have not been audited or reviewed as part of KPMG's review report on the half-year financial statements. However, KPMG have undertaken a set of procedures to agree the financial information above to underlying OneSteel and Moly-Cop Group information supplied by the Company.

For the purposes of the proforma financial information, the historical carrying values of the assets and liabilities of the Moly-Cop Group have been aggregated with the actual OneSteel Group assets and liabilities, and the historical profit and loss statements of the Moly-Cop Group have been aggregated with the actual OneSteel Group profit and loss statements. The financials for the Moly-Cop Group have been translated to Australian dollars at the prevailing exchange rates at balance date for balance sheet information and the average rate for the period for the profit and loss and cash flow information. Other than as noted below, no other adjustments have been made to the historical financial information.

As at 31 December 2010, the value of the consideration paid in excess of the Moly-Cop Group's net assets at book value has been classified within intangible assets. As no fair value assessment of the Moly-Cop Group's assets, liabilities and contingent liabilities has been performed at this time, no estimate of the depreciation and amortisation impact associated with any fair value adjustments has been reflected in the proforma financial information.

1. The underlying results for the year ended 30 June 2008 - 2010 financial year and six months ended 31 December 2008 - 2009 exclude the impact of restructuring activities.
2. The underlying results for the six months ended 31 December 2010 exclude the impact of direct costs associated with the acquisition of the Moly-Cop Group and the impact of the reversal of unutilised environmental liabilities and insurance claim proceeds for the Moly-Cop Group.
3. These statistics include the results of the Smorgon Steel Group Limited from 20 August 2007 only.

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# New segments proforma financial history

## Mining Consumables - Proforma Historical Information

| | 1H11 $m | FY10 $m | FY09 $m | FY08 $m |
|---|---|---|---|---|
| Revenue/Income | 767.2 | 1,421.7 | 1,724.2 | 1,287.0 |
| EBITDA | 82.3 | 161.1 | 195.8 | 181.3 |
| EBIT | 64.4 | 122.0 | 157.1 | 152.8 |
| Sales margin | 8.4% | 8.6% | 9.1% | 11.9% |
| Assets | 2,274.3 | 2,536.0 | 2,614.3 | 2,370.3 |
| Funds Employed | 2,027.8 | 2,219.0 | 2,307.9 | 2,071.3 |
| Return on funds employed | 6.1% | 5.4% | 7.2% | 7.4% |
| Employees (number) | 1,836 | 1,946 | 1,865 | 1,881 |
| Steel tonnes despatched (mt) | 0.60 | 1.16 | 0.97 | 1.03 |
| Steel tonnes produced (mt) | 0.25 | 0.47 | 0.51 | 0.49 |

Notes
The financial information presented includes the results of the Moly-Cop Group as if they had formed part of the OneSteel Group from 1 July 2007. These numbers have not been audited or reviewed as part of KPMG's review report on the half-year financial statements. However, KPMG have undertaken a set of procedures to agree the financial information above to underlying OneSteel and Moly-Cop Group information supplied by the Company.

For the purposes of the proforma financial information, the historical carrying values of the assets and liabilities of the Moly-Cop Group have been aggregated with the actual OneSteel Group assets and liabilities, and the historical profit and loss statements of the Moly-Cop Group have been aggregated with the actual OneSteel Group profit and loss statements. The financials for the Moly-Cop Group have been translated to Australian dollars at the prevailing exchange rates at balance date for balance sheet information and the average rate for the period for the profit and loss and cash flow information. Other than as noted below, no other adjustments have been made to the historical financial information.

As at 31 December 2010, the value of the consideration paid in excess of the Moly-Cop Group's net assets at book value has been classified within intangible assets. As no fair value assessment of the Moly-Cop Group's assets, liabilities and contingent liabilities has been performed at this time, no estimate of the depreciation and amortisation impact associated with any fair value adjustments has been reflected in the proforma financial information.

1. The underlying results for the year ended 30 June 2008 - 2010 financial year and six months ended 31 December 2008 - 2009 exclude the impact of restructuring activities.
2. The underlying results for the six months ended 31 December 2010 exclude the impact of direct costs associated with the acquisition of the Moly-Cop Group and the impact of the reversal of unutilised environmental liabilities and insurance claim proceeds for the Moly-Cop Group.
3. These statistics include the results of the Smorgon Steel Group Limited from 20 August 2007 only.

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# ONESTEEL LIMITED

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

## HALF-YEAR ENDED 31 DECEMBER 2010

| Comparison to previous corresponding period (pcp) | Movement | % Change | | A$ million |
|---|---|---|---|---|
| Revenue from ordinary activities | up | 11.4 | to | 3,326.1 |
| Profit from ordinary activities after tax attributable to members | down | 1.0% | to | 116.2 |
| Net profit for the period attributable to members | down | 1.0% | to | 116.2 |

| Dividends | Interim Dividend 2011 | Final Dividend 2010 | Interim Dividend 2010 |
|---|---|---|---|
| Amount per security | 6.0c | 6.0c | 5.0c |
| Franked amount per security | 0.0c | 0.0c | 0.0c |
| Amount per security declared to be conduit foreign income | 0.0c | 2.7c | 5.0c |
| Total dividend and dividend payment (A$ million) | 80.1 | 79.9 | 66.5 |

| | Date |
|---|---|
| Ex-dividend date for Interim Dividend | 25 February 2011 |
| Record date for determining entitlement to Interim Dividend | 3 March 2011 |
| Date payable | 14 April 2011 |

| Net tangible assets | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Net Tangible Assets per security ($) | 1.34 | 1.72 |

## Details of Associates and Joint Venture Entities

| Name of associate or joint venture entity | Associate or Joint Venture Entity | Percentage holding December 2010 | Percentage holding December 2009 |
|---|---|---|---|
| Suntech Metals Company | Associate | 20% | 20% |
| Donhad Pty Ltd | Associate | 40% | - |
| BOSFA Pty Ltd | Jointly controlled entity | 50% | 50% |
| GenAlta Recycling Inc. | Jointly controlled entity | 50% | - |

## Details of entities over which control was gained during the period

| Name of entity | Date |
|---|---|
| Moly-Cop Group S.a.r.l. | 31 December 2010 |
| AltaSteel Chile S.A. | 31 December 2010 |
| GST Philippines Inc. | 31 December 2010 |
| Moly-Cop Steel Inc | 31 December 2010 |
| Moly-Cop Mexico S.A de C.V. | 31 December 2010 |
| Inversiones Moly-Cop S.A. | 31 December 2010 |
| Moly-Cop Peru S.A.C. | 31 December 2010 |
| Moly-Cop Adesur S.A | 31 December 2010 |
| Moly-Cop Chile S.A. | 31 December 2010 |
| AltaSteel Ltd | 31 December 2010 |
| Moly-Cop Canada (A Partnership) | 31 December 2010 |
| Maple Leaf Metals (A Partnership) | 31 December 20 10 |
| Servicios Moly-Cop S.A. de C.V. | 31 December 2010 |

There were no entities over which control was lost during the period.

**Dividend Reinvestment Plan**

The Dividend Reinvestment Plan (DRP) provides eligible shareholders with an option to use dividend entitlements to acquire OneSteel Limited ordinary shares. Participation is optional. The DRP price is the arithmetic average of the daily volume weighted average market price (rounded to the nearest cent) of all fully-paid ordinary shares sold on the ASX during the 10 consecutive trading days commencing on the date which is the second trading day after the Record Date for the relevant dividend, less such discount, if any, not exceeding five per cent, as determined by the Board from time to time. DRP shares are currently priced at a nil discount.

The DRP will operate for the interim dividend. The last date of receipt of DRP election notices is before 5.00pm on 3 March 2011 (the Record Date).

No discount applies to the DRP.

Further ASX Appendix 4D disclosures are located in the OneSteel Limited Half-Year Financial Report.

This report is based on a financial report that has been subject to review and is not subject to any dispute or qualification.

# ONESTEEL LIMITED

ABN 63 004 410 833

## FINANCIAL REPORT

for the half-year ended 31 December 2010

# Contents

# Directors' Report

Your Directors submit their report for the half-year ended 31 December 2010.

## Directors

The following persons were Directors of OneSteel Limited during the half-year and up to the date of this report unless stated otherwise:

P J Smedley
L G Cox (retired 15 November 2010)
R B Davis
E J Doyle (retired 15 November 2010)
C R Galbraith
P G Nankervis
G J Plummer
D A Pritchard
G J Smorgon
R Warnock (appointed 1 September 2010)

## Principal activities

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

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

On 31 December 2010, OneSteel completed the acquisition of the Moly-Cop and Alta Steel businesses from Anglo American plc (together the "Moly-Cop Group"). The Moly-Cop Group is based in the Americas and consists of grinding media and steel products businesses, focused on the high growth mining consumables sector. The acquired businesses, together with OneSteel's existing grinding media production facilities in Australia, the United States and Indonesia, will provide OneSteel with global scale in the growing grinding media market. The acquisition also provides OneSteel with strong positions in new and attractive regions, and leverages OneSteel's core capabilities including product, technical and customer knowledge in mining consumables.

## Review of operations

A review of the operations of the OneSteel Group during the half-year and the results of those operations is attached.

Net profit after tax attributable to members of OneSteel Limited as parent entity for the half-year was $116.2m (2009: $117.4m).

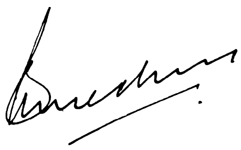
## Rounding of amounts

The Company is of the kind referred to in the Australian Securities and Investments Commission (ASIC) Class Order 98/0100. In accordance with that Class Order, amounts in the financial report have been rounded off to the nearest one hundred thousand dollars, or where the amount is $50,000 or less, zero, unless specifically stated to be otherwise.

## Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the half-year ended 31 December 2010.

Signed in accordance with a resolution of the Directors.



**Peter Smedley**
Chairman

**Geoff Plummer**
Managing Director and
Chief Executive Officer

Sydney
22 February 2011

## LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

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 2010 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

David Rogers
Partner

Sydney
22 February 2011

# Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER

| | Notes | CONSOLIDATED 2010 $m | 2009 $m |
|---|---|---|---|
| Sales revenue | 4 | 3,315.1 | 2,973.6 |
| Cost of sales | | (2,668.8) | (2,289.7) |
| Gross profit | | 646.3 | 683.9 |
| Other revenue | 4 | 11.0 | 11.8 |
| Other income | 4 | 1.4 | 5.6 |
| Operating expenses | | (456.0) | (504.2) |
| Finance costs | | (46.0) | (44.6) |
| Share of net loss of investments accounted for using the equity method | | - | (0.1) |
| **Profit before income tax** | 4 | **156.7** | **152.4** |
| Income tax expense | 5 | (37.2) | (33.8) |
| **Profit after tax** | | **119.5** | **118.6** |
| Profit attributable to minority interests | | (3.3) | (1.2) |
| **Profit attributable to equity holders of the parent** | | **116.2** | **117.4** |
| | | | |
| Basic earnings per share (cents per share) | 7 | 8.75 | 8.87 |
| Diluted earnings per share (cents per share) | 7 | 8.72 | 8.84 |

The accompanying notes form an integral part of the financial statements.

# Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER

| | CONSOLIDATED | |
|---|---|---|
| | 2010<br>$m | 2009<br>$m |
| **Profit after tax** | **119.5** | **118.6** |
| **Other comprehensive income** | | |
| Cash flow hedges: | | |
| - net gains / (losses) taken to equity | 0.3 | (1.9) |
| - transferred to profit | 3.2 | 7.1 |
| - transferred to initial carrying amount of hedged items | 1.3 | 0.2 |
| Currency translation differences: | | |
| - net investment hedges | 14.4 | 8.8 |
| - exchange fluctuations on overseas net assets | (74.5) | (36.5) |
| Other comprehensive expense, net of tax | (55.3) | (22.3) |
| **Total comprehensive income** | **64.2** | **96.3** |
| Total comprehensive income attributable to: | | |
| Equity holders of the parent | 65.4 | 94.4 |
| Minority interests | (1.2) | 1.9 |

The accompanying notes form an integral part of the financial statements.

# Balance Sheet

AS AT

| | Notes | CONSOLIDATED 31 December 2010 $m | 30 June 2010 $m |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 10 | 141.5 | 83.4 |
| Receivables | | 754.7 | 829.3 |
| Derivative financial instruments | | 23.7 | 5.0 |
| Inventories | | 1,690.6 | 1,433.0 |
| Other current assets | | 29.5 | 13.6 |
| **Total current assets** | | **2,640.0** | **2,364.3** |
| **Non-current assets** | | | |
| Investments accounted for using the equity method | | 31.2 | 6.6 |
| Derivative financial instruments | | 39.0 | 16.8 |
| Other financial assets | | 2.5 | 2.5 |
| Other non-current assets | | 6.6 | 1.8 |
| Property, plant and equipment | | 2,494.1 | 2,302.3 |
| Mine development expenditures | | 171.1 | 172.2 |
| Other intangibles and goodwill | | 2,637.0 | 2,070.0 |
| Deferred tax assets | | 149.3 | 131.2 |
| **Total non-current assets** | | **5,530.8** | **4,703.4** |
| **TOTAL ASSETS** | | **8,170.8** | **7,067.7** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Payables | | 832.7 | 863.1 |
| Derivative financial instruments | | 32.1 | 3.7 |
| Interest-bearing liabilities | | 539.8 | 331.9 |
| Current tax liabilities | | 15.5 | 11.1 |
| Provisions | | 256.0 | 278.8 |
| **Total current liabilities** | | **1,676.1** | **1,488.6** |
| **Non-current liabilities** | | | |
| Derivative financial instruments | | 63.5 | 51.4 |
| Interest-bearing liabilities | | 1,493.3 | 715.2 |
| Deferred tax liabilities | | 266.7 | 201.8 |
| Provisions | | 191.6 | 118.0 |
| **Total non-current liabilities** | | **2,015.1** | **1,086.4** |
| **TOTAL LIABILITIES** | | **3,691.2** | **2,575.0** |
| **NET ASSETS** | | **4,479.6** | **4,492.7** |
| **EQUITY** | | | |
| Contributed equity | 8 | 3,753.3 | 3,751.1 |
| Retained earnings | | 736.7 | 700.4 |
| Reserves | | (67.3) | (19.0) |
| Parent interests | | 4,422.7 | 4,432.5 |
| Minority interests | | 56.9 | 60.2 |
| **TOTAL EQUITY** | | **4,479.6** | **4,492.7** |

The accompanying notes form an integral part of the financial statements.

# Condensed Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER

| | | CONSOLIDATED | |
|---|---|---|---|
| | Notes | 2010 $m | 2009 $m |
| | | Inflows/(Outflows) | |
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 3,498.1 | 3,124.4 |
| Payments to suppliers and employees | | (3,265.2) | (2,772.0) |
| Net GST paid | | (2.8) | (6.6) |
| Interest received | | 0.8 | 1.2 |
| Interest and other finance costs paid | | (46.2) | (49.3) |
| Income taxes (paid) / received | | (27.9) | 25.9 |
| **Net operating cash flows** | | **156.8** | **323.6** |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment, mine development expenditure and other intangibles | | (98.8) | (70.2) |
| Proceeds from sale of property, plant and equipment | | 0.9 | 0.5 |
| Purchases of businesses | | (1.9) | (0.9) |
| Purchase of controlled entities, net of cash acquired | | (854.8) | - |
| Purchase of loan receivables | | (136.2) | - |
| **Net investing cash flows** | | **(1,090.8)** | **(70.6)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares | | 0.2 | 0.1 |
| Purchase of shares under equity-based compensation plans | | (7.1) | (4.5) |
| Net proceeds from / (repayment) of borrowings | | 1,084.1 | (127.0) |
| Loan to related party | | - | (2.5) |
| Repayment of principal of finance leases | | - | (24.7) |
| Dividends paid | | (72.5) | (48.2) |
| **Net financing cash flows** | | **1,004.7** | **(206.8)** |
| **Net increase in cash and cash equivalents** | | **70.7** | **46.2** |
| Cash and cash equivalents at the beginning of the half-year | | 75.3 | 20.6 |
| Effect of exchange rate fluctuations on cash held | | (6.9) | (2.7) |
| **Cash and cash equivalents at the end of the half-year** | 10 | **139.1** | **64.1** |

The accompanying notes form an integral part of the financial statements.

# Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

| | ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | | | | | | MINORITY INTERESTS | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|
| | CONTRIBUTED EQUITY | | | | | | | |
| **CONSOLIDATED** | Issued capital $m | Employee compensation shares $m | **Total contributed equity** $m | **Retained earnings** $m | **Total reserves** $m | **Total parent interests** $m | $m | $m |
| **At 1 July 2010** | 3,769.6 | (18.5) | 3,751.1 | 700.4 | (19.0) | 4,432.5 | 60.2 | 4,492.7 |
| Net profit for the half-year | - | - | - | 116.2 | - | 116.2 | 3.3 | 119.5 |
| Other comprehensive income | - | - | - | | (50.8) | (50.8) | (4.5) | (55.3) |
| Total comprehensive income/expense for the half-year, net of tax | - | - | - | 116.2 | (50.8) | 65.4 | (1.2) | 64.2 |
| Transactions with equity holders: | | | | | | | | |
| Share-based payments expense | - | - | - | - | 2.5 | 2.5 | - | 2.5 |
| Purchase of shares under equity-based compensation plans | - | (7.1) | (7.1) | - | - | (7.1) | - | (7.1) |
| Dividends paid | - | - | - | (79.9) | - | (79.9) | (1.7) | (81.6) |
| Shares issued, net of transaction costs | 0.2 | - | 0.2 | - | - | 0.2 | (0.4) | (0.2) |
| Shares issued under dividend reinvestment plan | 9.1 | - | 9.1 | - | - | 9.1 | - | 9.1 |
| Total transactions with equity holders | 9.3 | (7.1) | 2.2 | (79.9) | 2.5 | (75.2) | (2.1) | (77.3) |
| **At 31 December 2010** | **3,778.9** | **(25.6)** | **3,753.3** | **736.7** | **(67.3)** | **4,422.7** | **56.9** | **4,479.6** |

The accompanying notes form an integral part of the financial statements.

# Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

| | ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | | | | | | MINORITY INTERESTS | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|
| | CONTRIBUTED EQUITY | | | | | | | |
| **CONSOLIDATED** | Issued capital $m | Employee compensation shares $m | **Total contributed equity** $m | **Retained earnings** $m | **Total reserves** $m | **Total parent interests** $m | $m | $m |
| **At 1 July 2009** | 3,749.8 | (14.6) | 3,735.2 | 561.5 | (21.5) | 4,275.2 | 61.1 | 4,336.3 |
| Net profit for the half-year | - | - | - | 117.4 | - | 117.4 | 1.2 | 118.6 |
| Other comprehensive income | - | - | - | - | (23.0) | (23.0) | 0.7 | (22.3) |
| Total comprehensive income/expense for the half-year, net of tax | - | - | - | 117.4 | (23.0) | 94.4 | 1.9 | 96.3 |
| Transactions with equity holders: | | | | | | | | |
| Share-based payments expense | - | - | - | - | 2.2 | 2.2 | - | 2.2 |
| Purchase of shares under equity-based compensation plans | - | (4.5) | (4.5) | - | - | (4.5) | - | (4.5) |
| Dividends paid | - | - | - | (53.0) | - | (53.0) | (3.2) | (56.2) |
| Shares issued, net of transaction costs | 0.1 | - | 0.1 | - | - | 0.1 | - | 0.1 |
| Shares issued under dividend reinvestment plan | 8.0 | - | 8.0 | - | - | 8.0 | - | 8.0 |
| Total transactions with equity holders | 8.1 | (4.5) | 3.6 | (53.0) | 2.2 | (47.2) | (3.2) | (50.4) |
| **At 31 December 2009** | **3,757.9** | **(19.1)** | **3,738.8** | **625.9** | **(42.3)** | **4,322.4** | **59.8** | **4,382.2** |

The accompanying notes form an integral part of the financial statements

# Notes to the financial statements

CONTENTS

# Notes to the financial statements

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

The financial report includes the financial statements for the consolidated entity consisting of OneSteel Limited and its subsidiaries (the "OneSteel Group").

This general purpose financial report for the half-year ended 31 December 2010 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 2010 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, except as set out below.

### Changes in accounting policy

The accounting policies affected by new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2010 are:

*AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based payment transactions*
The amendments made to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, i.e. whether it is measured as an equity or cash-settled transaction.

The Group has applied the amendments from 1 July 2010 and it did not have any impact on the financial position or performance of the Group for the half-year.

*AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19*
AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in the profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

The Group has applied the interpretation from 1 July 2010 and it did not have any impact on the financial position or performance of the Group for the half-year.

## 2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses based on historical experience and on other various factors it believes to be reasonable under the circumstances. Actual results may differ from the judgements, estimates and assumptions. Changes in estimates and assumptions for the half-year ended 31 December 2010 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

# Notes to the financial statements (continued)

## 2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### Carbon Pricing

Following the recent federal election, the Commonwealth Government is currently examining policy options to address the issue of climate change. This involves consultation processes including a Multi-Party Climate Change Committee and a Business Roundtable. The nature and timing of any government carbon pricing policy is unknown at this time. As a result, management are of the view that they cannot reliably quantify the impact of any carbon pricing policy on its business outcomes or the recoverability of the carrying amount of assets at 31 December 2010.

### Minerals Resource Rent Tax

On 2 July 2010, the Federal Government announced that it would replace the proposed Resources Super Profits Tax ("RSPT") with a Minerals Resources Rent Tax ("MRRT"). The MRRT applies to only iron ore and coal extraction activities from 1 July 2012. As currently proposed, the MRRT applies equally to OneSteel's hematite ore export sales and the magnetite ore used in the Steelworks.

The details of the proposed tax are the subject of ongoing debate within government and may change prior to becoming final legislation. As a result, management are of the view that they cannot reliably quantify the impact of the proposed MRRT on the recoverability of the carrying amount of assets at 31 December 2010.

# Notes to the financial statements

## 3. SEGMENT INFORMATION

| 2010 | Iron Ore $m | Recycling $m | Manufacturing $m | Australian Distribution $m | New Zealand Distribution $m | Unallocated $m | Eliminations $m | Consolidated $m |
|---|---|---|---|---|---|---|---|---|
| **Segment revenues** | | | | | | | | |
| Sales to external customers | 463.7 | 523.1 | 936.8 | 1,242.3 | 149.2 | - | - | 3,315.1 |
| Intersegment revenue | - | 190.4 | 454.2 | 12.9 | 0.1 | 5.6 | (663.2) | - |
| Other revenue/income from external customers | 1.6 | 0.9 | 5.3 | 2.3 | - | 2.3 | - | 12.4 |
| **Total income** | **465.3** | **714.4** | **1,396.3** | **1,257.5** | **149.3** | **7.9** | **(663.2)** | **3,327.5** |
| Share of net (loss) / profit of investments accounted for using the equity method | - | (0.1) | - | - | - | 0.1 | - | - |
| **Earnings before interest, tax, depreciation and amortisation** | **289.7** | **3.2** | **(11.7)** | **24.8** | **12.2** | **(21.5)** | **6.6** | **303.3** |
| Depreciation and amortisation | (14.2) | (8.5) | (59.6) | (14.6) | (2.5) | (1.2) | - | (100.6) |
| **Earnings before interest and tax** | **275.5** | **(5.3)** | **(71.3)** | **10.2** | **9.7** | **(22.7)** | **6.6** | **202.7** |
| Finance costs | | | | | | | | (46.0) |
| Income tax expense | | | | | | | | (37.2) |
| **Profit after tax** | | | | | | | | **119.5** |
| **Segment assets** | **849.6** | **645.6** | **3,639.0** | **1,457.7** | **158.2** | **1,361.8** | **(121.6)** | **7,990.3** |
| Investments accounted for using the equity method | - | 1.4 | - | - | - | 29.8 | - | 31.2 |
| Tax assets | | | | | | | | 149.3 |
| **Consolidated assets** | | | | | | | | **8,170.8** |
| **Segment liabilities** | **113.9** | **79.5** | **560.4** | **309.8** | **48.8** | **2,416.4** | **(119.8)** | **3,409.0** |
| Tax liabilities | | | | | | | | 282.2 |
| **Consolidated liabilities** | | | | | | | | **3,691.2** |

# Notes to the financial statements (continued)

## 3. SEGMENT INFORMATION (CONTINUED)

| 2009 | Iron Ore $m | Recycling $m | Manufacturing $m | Australian Distribution $m | New Zealand Distribution $m | Unallocated $m | Eliminations $m | Consolidated $m |
|---|---|---|---|---|---|---|---|---|
| **Segment revenues** | | | | | | | | |
| Sales to external customers | 320.6 | 299.2 | 915.0 | 1,284.5 | 154.3 | - | - | 2,973.6 |
| Intersegment revenue | - | 193.4 | 557.3 | 8.5 | - | 4.3 | (763.5) | - |
| Other revenue/income from external customers | 10.5 | (0.5) | 6.2 | 2.7 | 0.2 | (1.7) | - | 17.4 |
| **Total income** | **331.1** | **492.1** | **1,478.5** | **1,295.7** | **154.5** | **2.6** | **(763.5)** | **2,991.0** |
| Share of net loss of investments accounted for using the equity method | - | (0.1) | - | - | - | - | - | (0.1) |
| **Earnings before interest, tax, depreciation and amortisation** | **126.1** | **3.8** | **127.7** | **67.2** | **7.4** | **(26.1)** | **(10.4)** | **295.7** |
| Depreciation and amortisation | (13.1) | (7.4) | (58.1) | (15.6) | (2.6) | (1.9) | - | (98.7) |
| **Earnings before interest and tax** | **113.0** | **(3.6)** | **69.6** | **51.6** | **4.8** | **(28.0)** | **(10.4)** | **197.0** |
| Finance costs | | | | | | | | (44.6) |
| Income tax expense | | | | | | | | (33.8) |
| **Profit after tax** | | | | | | | | **118.6** |
| **Segment assets** | **794.8** | **612.4** | **3,583.2** | **1,481.4** | **160.1** | **124.0** | **(184.9)** | **6,571.0** |
| Investments accounted for using the equity method | - | 1.6 | - | - | - | 5.7 | - | 7.3 |
| Tax assets | | | | | | | | 151.2 |
| **Consolidated assets** | | | | | | | | **6,729.5** |
| **Segment liabilities** | **86.9** | **65.1** | **525.3** | **300.9** | **48.2** | **1,304.5** | **(164.9)** | **2,166.0** |
| Tax liabilities | | | | | | | | 181.3 |
| **Consolidated liabilities** | | | | | | | | **2,347.3** |

# Notes to the financial statements (continued)

## 3. SEGMENT INFORMATION (CONTINUED)

### Identification of reportable segments

The Group has identified its operating segments based on internal reporting that is reviewed and used by the MD & CEO and the executive management team in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the products provided, with each operating segment representing a strategic business unit that offers different products and serves different markets.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold as these are the sources of the Group's major risks and have the most effect on the rates of return.

The Group has aligned its segment structure to reflect changes in organisation structure announced in February 2010 effective from 1 July 2009. The pellet plant operations previously reported as part of the Manufacturing segment are now reported as part of the Iron Ore segment. The December 2009 comparatives have been restated to reflect the change in segment structure.

*Acquisition of the Moly-Cop Group (refer to Note 11)*
The Moly-Cop Group assets and liabilities acquired have been reported as part of the Unallocated segment for the half-year ended 31 December 2010. The Moly-Cop Group will form part of a new reportable Mining Consumables segment effective from 1 January 2011.

*Iron Ore*
The Iron Ore segment supplies pelletised iron ore to OneSteel's integrated steelworks at Whyalla sourced from OneSteel's mines located in the South Middleback Ranges, approximately 60 kms from Whyalla, South Australia. The Whyalla steelworks uses magnetite iron ore feed and hematite iron ore is sold externally.

*Recycling*
The Recycling segment operates in Australia, the United States, Asia and internationally through a combination of physical operations and trading offices, supplying steel making raw materials and non-ferrous scrap to steel mills and foundries operated in Australia and across the globe.

*Manufacturing*
OneSteel's Manufacturing segment combines the activities of steel production and the product mills. The Whyalla Steelworks produces billet as feedstock for OneSteel's Market Mills operations together with rail products, structural steels and slabs for external sale.

Within Market Mills, the Sydney and Laverton steel mills produce steel billets for the manufacture of reinforcing and bar products on their own rolling mills as well as steel billet to be used as feed in OneSteel's other rolling facilities. 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.

Market Mills manufacture products which are used in a range of applications such as manufacturing, construction, mining and automotive industries.

# Notes to the financial statements (continued)

## 3. SEGMENT INFORMATION (CONTINUED)

*Australian Distribution*

OneSteel's Australian Distribution segment provides a diverse range of steel and metal products to resellers and end-users including structural steel, steel plate, angles, channels, flat sheet, reinforcing steel, sheet steel and coil and a range of aluminium products, pipes, fittings and valves. The reinforcing businesses and pipe and tube business within Australian Distribution manufacture and distribute product throughout Australia for the construction, mining, oil and gas and manufacturing industries.

*New Zealand Distribution*

This comprises the 50.3% shareholding in Steel & Tube Holdings Limited, a 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.

*Intra/intersegment transfers*

The Recycling segments 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 Australian 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.

## 4. INCOME STATEMENT ITEMS

| | CONSOLIDATED | |
|---|---|---|
| | 2010<br>$m | 2009<br>$m |
| **(a) Sales revenue** | | |
| Product sales | 3,313.1 | 2,971.7 |
| Rendering of services | 2.0 | 1.9 |
| **Total sales revenue** | **3,315.1** | **2,973.6** |
| **(b) Other revenue** | | |
| Interest received from unrelated parties | 0.8 | 1.2 |
| Other | 10.2 | 10.6 |
| **Total other revenue** | **11.0** | **11.8** |
| **TOTAL REVENUE** | **3,326.1** | **2,985.4** |
| **(c) Other income** | | |
| Net gains on disposal of property, plant and equipment | 0.4 | 0.4 |
| Net foreign exchange gains | - | 5.2 |
| Other | 1.0 | - |
| **Total other income** | **1.4** | **5.6** |
| **TOTAL INCOME** | **3,327.5** | **2,991.0** |
| **(d) Profit before income tax includes the following specific expenses:** | | |
| Depreciation of property, plant and equipment | 94.2 | 91.0 |
| Amortisation of mine development expenditure | 1.5 | 1.1 |
| Amortisation of finite-life intangible assets | 4.9 | 6.6 |
| Net foreign exchange losses | 2.8 | - |
| Restructuring costs | - | 2.1 |
| Share-based payment expense | 2.4 | 2.2 |

# Notes to the financial statements (continued)

## 5. INCOME TAX

### Reconciliation of income tax expense to prima facie tax payable

| | CONSOLIDATED | |
|---|---|---|
| | 2010 | 2009 |
| | $m | $m |
| Profit before income tax | 156.7 | 152.4 |
| Prima facie income tax expense calculated at 30% | 47.0 | 45.7 |
| Adjustments in respect of income tax of previous years | - | 0.1 |
| Research and development allowance | (5.3) | (6.6) |
| Other non-deductible expenses | 0.3 | 0.2 |
| Difference in overseas tax rates | 1.2 | 1.7 |
| Other items | (6.0)[2] | (7.3)[1] |
| Income tax expense reported in the Income Statement | 37.2 | 33.8 |

1 Primarily relates to the restatement of deferred tax liabilities on plant & equipment previously held under a finance lease.
2 Primarily relates to a tax refund arising as a result of a tax deduction available for consumable items owned by SSX Pty Ltd when it first elected to consolidate for tax purposes on 1 July 2002.

## 6. DIVIDENDS

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

| | On ordinary shares | Dividend per ordinary share |
|---|---|---|
| | $m | cents |
| **December 2010** | | |
| Final unfranked dividend for 2010, paid on 14 October 2010 | 79.9 | 6.0 |
| **December 2009** | | |
| Final unfranked dividend for 2009, paid on 15 October 2009 | 53.0 | 4.0 |

**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 unfranked interim dividend of 6.0 cents per fully paid ordinary share (2009: 5.0 cents, unfranked). The aggregate amount of the proposed dividend expected to be paid on 14 April 2011 but not recognised as a liability at balance date is $80.1m (2009: $66.4m).

# Notes to the financial statements (continued)

## 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 2010 $m | December 2009 $m |
|---|---|---|
| Profit attributable to equity holders of the parent | 116.2 | 117.4 |
| Earnings used in calculating basic and diluted earnings per share | 116.2 | 117.4 |

### (b) Number of ordinary shares

| | Number of shares | |
|---|---|---|
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 1,327,361,658 | 1,323,381,069 |
| Dilutive effect of executive share options[1] | 27,782 | 137,232 |
| Dilutive effect of employee compensation shares | 5,566,434 | 3,391,437 |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | 1,332,955,874 | 1,326,909,738 |
| Basic earnings per share (cents per share) | 8.75 | 8.87 |
| Diluted earnings per share (cents per share) | 8.72 | 8.84 |

1 Executive share options relate solely to ordinary shares. All potential ordinary shares, being options to acquire ordinary shares, are considered dilutive. There were no outstanding options at 31 December 2010.

# Notes to the financial statements (continued)

## 8. CONTRIBUTED EQUITY

| | CONSOLIDATED | |
|---|---|---|
| | December 2010 $m | June 2010 $m |
| Issued capital (a) | 3,778.9 | 3,769.6 |
| Employee compensation shares (b) | (25.6) | (18.5) |
| Total contributed equity | 3,753.3 | 3,751.1 |
| **(a) Issued capital** | | |
| Number of ordinary shares: 1,334,719,421 (June 2010: 1,331,583,166) | | |
| Issued and paid-up | 3,778.9 | 3,769.6 |
| **(b) Employee compensation shares** | | |
| Number of ordinary shares: 6,283,917 (June 2010: 3,856,030) | | |
| Shares held in trust under equity-based compensation arrangements | (25.6) | (18.5) |

| | **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 | 1,331,583,166 | 3,769.6 |
| Issued during the half-year: | | |
| From the exercise of options | 160,500 | 0.2 |
| Under a Dividend Reinvestment Plan | 2,975,755 | 9.1 |
| On issue at the end of the half-year | 1,334,719,421 | 3,778.9 |
| **Movements in employee compensation shares for the period** | | |
| Held in trust at the beginning of the half-year | (3,856,030) | (18.5) |
| Shares purchased on-market | (2,442,466) | (7.1) |
| Shares vested and transferred to share-based payments reserve | 14,579 | - |
| Held in Trust at the end of the half-year | (6,283,917) | (25.6) |

# Notes to the financial statements (continued)

## 9. CONTINGENCIES

### (a) Contingent Liabilities

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

| | CONSOLIDATED | |
|---|---|---|
| | December 2010 $m | June 2010 $m |
| **Guarantees and indemnities** | | |
| Bank guarantees covering: | | |
| Workers' compensation self-insurance licences[1] | 50.0 | 47.0 |
| Performance of contracts | 36.6 | 47.1 |

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 $32.3m (June 2010: $36.5m) 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.

## 10. 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:

| | CONSOLIDATED | |
|---|---|---|
| | December 2010 $m | December 2009 $m |
| Cash and cash equivalents | 141.5 | 88.5 |
| At call bank loan | (2.4) | (24.4) |
| | 139.1 | 64.1 |

# Notes to the financial statements (continued)

## 11. BUSINESS COMBINATIONS

### Acquisition of the Moly-Cop Group

On 31 December 2010, OneSteel acquired 100% of the issued share capital of Moly-Cop Group S.a.r.l., a limited liability company registered in Luxembourg which owns subsidiaries consisting of the Moly-Cop and AltaSteel businesses (together the "Moly-Cop Group") previously managed by the Scaw Metals Group of Anglo American plc.

The total cash consideration paid to the Anglo American Group for the shares in Moly-Cop Group S.a.r.l was USD 937.6 million.

### (a) Assets and liabilities acquired

The fair value of the identifiable assets and liabilities as at the date of the business combination were:

| | Acquiree Carrying Amount | Fair Value |
|---|---|---|
| | $m | $m |
| Cash and cash equivalents | 67.0 | 67.0 |
| Receivables | 108.5 | 108.5 |
| Inventory | 155.8 | 155.8 |
| Current tax assets | 2.6 | 2.6 |
| Investments | 24.6 | 24.6 |
| Property, plant and equipment | 224.6 | 224.6 |
| Intangibles | 16.4 | 16.4 |
| Deferred tax asset | 18.3 | 18.3 |
| Other assets | 38.6 | 38.6 |
| Payables | (217.3) | (217.3) |
| Deferred tax liability | (46.4) | (46.4) |
| Other provisions | (78.3) | (78.3) |
| Net Assets | 314.4 | 314.4 |
| Net Identifiable Assets Acquired | 314.4 | 314.4 |

The initial accounting for the Moly-Cop Group acquisition has been determined provisionally as at 31 December 2010. OneSteel has 12 months from the date of acquisition to complete the allocation of the cost of the business combinations to the assets, liabilities and contingent liabilities acquired. At 31 December, the process of allocating the cost of the business combination had not yet commenced and as such no adjustments have been made to the carrying amounts of the assets, liabilities and contingent liabilities of the acquiree.

The revenue and net profit/loss of the Moly-Cop Group have not been included in the income statement and statement of comprehensive income of the Group for the half-year ended 31 December 2010 as the acquisition was completed on 31 December 2010. It is not practicable to determine the revenues and profit of the Group had the combination taken place at 1 July 2010 due to differences in accounting policy and as the fair value of identifiable assets and liabilities of the acquired businesses are not known at that date.

# Notes to the financial statements (continued)

## 11. BUSINESS COMBINATIONS (CONTINUED)

### (b) Cost of combinations

| | $m |
|---|---|
| Cash paid | 921.8 |
| Total purchase consideration | 921.8 |
| Fair value of net identifiable assets | 314.4 |
| Goodwill arising on acquisition | 607.4 |

The provisional goodwill recognised on acquisition is due to a number of factors including:

- The acquisition provides OneSteel with global scale in grinding media with participation in some of the world's largest and most attractive mining consumables markets;
- The new businesses offer attractive growth potential and financial outcomes and provide increased diversification from Australian construction and infrastructure cycles in OneSteel's overall business profile. Demand in these businesses is driven by mine expansion, new mining projects and the expected strong demand for commodities, particularly copper and gold;
- The acquisition provides OneSteel with a platform for further growth in mining consumables;
- The acquisition provides an ideal strategic fit given OneSteel already has significant industry knowledge and experience gained through its own grinding media, steel manufacturing and metal recycling businesses, as well as having other mining consumables operations such as our wire ropes and rail wheel businesses in Australia.

## 12. EVENTS AFTER BALANCE SHEET DATE

There have been no circumstances arising since 31 December 2010 that have significantly affected or may significantly affect:

(a) the operations;

(b) the results of those operations; or

(c) the state of affairs of OneSteel Group 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 2010 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

**Geoff Plummer**
Managing Director and
Chief Executive Officer

Sydney
22 February 2011

# Independent Auditor's Review Report

### Independent Auditor's Review Report to the members of OneSteel Limited

### Report on the financial report

We have reviewed the accompanying half-year financial report of OneSteel Limited, which comprises the consolidated statement of financial position as at 31 December 2010, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' responsibility for the half-year financial report

The Directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the half-year 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 a half-year 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.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

## Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year 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.

David Rogers
Partner

Sydney
22 February 2011

# Corporate Directory

ACN 004 410 833

ABN 63 004 410 833

## DIRECTORS

Mr Peter J Smedley (Chairman)

Mr R Bryan Davis

Mr Colin R Galbraith, AM

Mr Peter G Nankervis

Mr Geoffrey J Plummer

Mr Dean A Pritchard

Mr Graham J Smorgon

Ms Rosemary Warnock (appointed 1 September 2010)

## COMPANY SECRETARY

Ms Kara L Nicholls

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

c/- Company Secretary, OneSteel Limited
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Sydney NSW 2000 Australia

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## SHARE REGISTRY

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Facsimile: +61 3 9473 2500
Email: onesteelshareregistry@computershare.com.au
Internet: www.computershare.com

## EXTERNAL AUDITOR

KPMG

## AUSTRALIAN SECURITIES EXCHANGE LISTING

OneSteel Limited listed on the Australian Securities Exchange on 23 October 2000 under Issuer Code OST.