MEDIA RELEASE

OneSteel Announces 19.6% Profit After Tax Increase to $84.1 million in the Six Months to December 2005

21 February 2006

OneSteel Limited Managing Director and Chief Executive Officer, Geoff Plummer, announced today that OneSteel had achieved a net operating profit after tax of $84.1 million in the six months to December 2005, up 19.6% from the $70.3 million profit in the corresponding period last year. Sales revenue increased by 5.2% to $1,988.8 million when compared with the corresponding period of the previous year.

Across the segments that drive OneSteel revenues, there was a 7.0% increase in the value of work in the six months to December 2005 compared with the prior year. Construction expenditure, which accounts for 60% of OneSteel revenues, increased 10.1%, driven by further expansion in the engineering and non-residential sectors which more than offset continued softness in the residential construction sector.

Domestic steel prices, adjusted for special projects, rose 11.9% while underlying domestic steel dispatches fell 6.5%, mainly due to project timing and the impact that international flat product pricing declines had on the domestic flat product market. The price increases and lower dispatches resulted in a 2.2% increase in underlying domestic sales revenue after adjusting for large projects associated with oil and gas pipelines and the M7 toll road in New South Wales.

Steel export dispatches rose 57,000 tonnes to 95,000 tonnes to represent 8.6% of total steel dispatches. The increase reflects the return of steel exports to more normal levels after being impacted by the reline of the Whyalla blast furnace and production disruptions at the blast furnace in the latter part of calendar 2004.

Geoff Plummer said, " Total domestic sales revenue grew by 2.7% to $1,869.8 million driven by an 8.4% increase in selling prices to cover higher raw material input costs while higher export volumes lifted export sales revenue 69.1% to $119.0 million. OneSteel's sales margin rose from 6.8% to 7.8%.

" Earnings (EBIT) of the Manufacturing business increased by 69.4% from the previous corresponding period, reflecting the return to normal production at the Whyalla Steelworks after the blast furnace reline and production disruptions a year earlier, operational improvements and price increases across the Manufacturing business to offset higher raw material input costs. Together, they resulted in a recovery in Manufacturing's sales margin to 8.0% from 4.9%.

" Earnings (EBIT) and the sales margin in the Australian Distribution business were impacted by lower dispatches of sheet, plate and coil amid market expectations of changing international prices, and by delays to some major projects. Earnings and the sales margin were also impacted by higher costs for hot rolled coil, used to manufacture pipe and tube. These factors contributed to a fall in Australian Distribution's sales margin to 7.0% from 8.3%.

" The International Distribution business continued to post excellent returns albeit they were lower on the back of some slowing in certain segments of the New Zealand economy. EBIT profit of the New Zealand-based business fell 8.5% from $28.2 million to $25.8 million and the associated sales margin fell from 14.2% to 12.6%. Return on funds employed was 32.5%.

" Our cost reduction program delivered $21 million of savings and revenue enhancements of $166 million were achieved for the six months to offset raw material and other cost increases of

$166 million. The most significant element behind the cost increases during the six months to December was coking coal.

" The EBIT return on funds employed (ROFE) was 15.1%, compared with 14.7% in the previous corresponding period. Return on equity rose to 13.1% from 12.6%while earnings per share was 14.9 cents, compared with 12.6 cents in the six months to December 2004, an increase of 18.4%.

" Operating cash flow for the period was negative $21.2 million. After adjusting for over $70 million of capital expenditure associated with Project Magnet, operating cash flow was in excess of $40 million. Capital expenditure during the six-month period totalled $117 million, up almost $50 million from the previous corresponding period.

" Time and cost milestones for Project Magnet, the commercialisation of OneSteel's magnetite ore deposits, are being achieved. The slurry pipeline to convey magnetite concentrate from the mines to the Whyalla Steelworks, and the associated return waterline, have been successfully completed. Construction is progressing well on the hematite export facilities.

" The project received Board approval for a mixture of direct capital costs and a number of outsourced operating contracts. One of the contracts to be outsourced, for ore export storage and related facilities, will now be directly funded by OneSteel because the prospective change of ownership of the proposed contractor introduced an unacceptable degree of risk.

" The resultant capital costs of the project to be funded by OneSteel will now total $355 million. Based on the original costs and economics of the project, the value of the project is marginally improved and the capital costs remain the same.

" Net debt remained relatively stable during the period at $707.4 million compared to $709 million in December 2004, with gearing down from 35.6% in the corresponding prior period to 33.0%. Interest cover is 5.3 times compared with 5.4 times in the previous corresponding period.

" Amid continued high levels of expenditure in the markets that drive the majority of OneSteel's revenue, the Australian business segments were supported by steel price increases that were previously implemented to recover higher costs for raw material inputs.

" The improvement in profit and strong cash flow adjusted for Magnet were pleasing, reflecting continued improvement in underlying performance in a domestic market that remains generally favourable but where the international steel market remains very volatile and less favourable than in the previous corresponding period.

" Over the remainder of the current financial year, market and operating activity is expected to be similar to the first half," Geoff Plummer said.

The OneSteel Board declared an interim dividend of 7.0 cents per share fully franked up 16.7%, to be paid on 20 April, 2006, with close of books on Friday 17 March, 2006. This compares with a 6.0 cent fully franked dividend paid for the six months to December 2004.

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OneSteel Financial Ratios

	AIFRS		% Change
	Dec-05 $m	Dec-04 $m	Dec 05/ Dec 04
Sales	1,988.8	1,890.5	5.2%
Other Revenue	16.3	17.5	(6.9%)
Total Revenue	2,005.1	1,908.0	5.1%
Gross Profit	432.3	407.6	6.1%
EBITDA	203.5	173.7	17.2%
Depreciation	(47.4)	(45.0)	5.3%
EBITA	156.1	128.7	
Amortisation (goodwill only)	0.0	0.0	
EBIT	156.1	128.7	
Borrowing costs	(29.4)	(23.9)	23.0%
EBT	126.7	104.8	
Tax	(34.5)	(25.5)	35.3%
PAT before MI	92.2	79.3	
Minorities	(8.1)	(9.0)	(10.0%)
Operating PAT	84.1	70.3	
Total Assets	3,058.3	2,748.1	11.3%
Total Liabilities	1,619.9	1,465.9	10.5%
Funds Employed	2,098.4	1,791.2	17.2%
Total Equity	1,438.4	1,282.2	12.2%
Net Debt	660.0	509.0	29.7%
Net Debt including Securitisation	660.0	709.0	
Net Debt incl Derivative	707.4		
No. of shares (at end of period)	564.3	558.4	1.1%
Cash flow from operations & investing	(21.2)	(7.2)	194.4%
Free Cash Flow	(23.6)	(11.5)	105.2%
Capex	117.3	67.6	73.5%
ROA (EBIT)	10.2%	9.5%	
ROE (EBIT)	13.1%	12.6%	
ROFE (EBIT)	15.1%	14.7%	
EBIT to sales	7.8%	6.8%	
EPS (cents) - year end	14.9	12.6	
Dividend per share (cents)	7.0	6.0	16.7%
Dividend payout ratio	47.2%	47.9%	
Gearing (net debt/net debt + equity) including securitisation	31.5%	35.6%	
Gearing (net debt/net debt + equity) incl derivative	33.0%		
Gross Profit Margin	21.7%	21.6%	
Interest cover	5.3	5.4	
NTA per share	2.1	1.8	
Employees	7,269	7,262	0.1%
Sales per employee	274	260	5.4%
Cost increases	165.8	94.3	
Cost reductions	20.8	29.8	
Revenue enhancements	166.4	113.6	
Raw steel production	800,603	538,998	48.5%
Steel tonnes dispatched	1,099,395	1,107,110	(0.7%)
Steel exports, % of total steel dispatches	8.6%	3.4%	

The financial information presented in this table has been prepared under Australian Equivalents to International Financial Reporting Standards (AIFRS). The main adjustments include:

- goodwill is no longer amortised;
- 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 from 1 July 2005.