



## Media Release

### **OneSteel Lifts Net Operating Profit After Tax By 12.1% to \$171.6 Million**

**22 August 2006**

OneSteel Limited Managing Director and Chief Executive Officer, Geoff Plummer, announced today that OneSteel had achieved a net operating profit after tax of \$171.6 million in the 12 months to June 2006, up 12.1% from the \$153.1 million comparable profit of the prior year. When a one-off tax benefit of \$15.9 million arising from tax consolidation values is included, total net profit after tax was \$187.5 million. The \$171.6 million net operating profit after tax represents an 11% increase in earnings per share to 30.3 cents from 27.3 cents.

Geoff Plummer said, " It is very pleasing to report OneSteel's fifth consecutive profit improvement. OneSteel achieved improvements in sales margin, earnings per share and return on funds employed. Particularly pleasing was the strong operating cash flow generated by the business that enabled us to reduce gearing while continuing to spend funds on our major expansion project, Project Magnet.

" Management achieved cost reductions of approximately \$39 million to offset inflationary costs of a similar magnitude. In addition, there were significant price increases for raw material inputs that took total cost increases to over \$265 million. Therefore to offset the higher costs, in addition to cost reductions, management also achieved revenue enhancements in excess of \$235 million.

" The result was achieved in a domestic market driven by engineering and non-residential construction with a very strong resources sector. There is however some regional weakness in New South Wales and Victoria as well as sectoral weakness in the manufacturing, rural, automotive and residential construction segments. The international steel market continues to be very fluid.

" Project Magnet capital works are due to be substantially completed in the 2006/07 financial year, with approximately \$230 million of the \$355 million capital expenditure spent or committed as at 30 June 2006. On top of the historical external sales of one million iron ore tonnes per annum, OneSteel sold in excess of one million tonnes of iron ore and by-products in the 2006 financial year, an incremental 500,000 tonnes over the

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previous year and in line with the ramp-up in ore sales that was announced in May 2005.

“ On 26 June 2006 we announced that OneSteel and Smorgon Steel Group Limited have reached an agreement under which OneSteel will acquire all of the shares in Smorgon Steel. Following implementation of the proposed transaction, OneSteel will become the pre-eminent domestic manufacturer and distributor of steel and metal products in Australasia. The proposed transaction remains subject to the approval of Smorgon Steel shareholders, the Court, the ACCC and certain other conditions.

“ Over the next 12 months, domestic market conditions are expected to be similar with continued strength in engineering construction and the mining and resources sector, along with solid non-residential construction activity. The rural, automotive, manufacturing and residential segments are expected to continue to be soft. International steel pricing and the cost of key inputs such as scrap and hot rolled coil are expected to be fluid while the outlook for iron ore prices continues to be positive. Management’s main priorities will be to continue to improve returns from existing core businesses, completion of Project Magnet and realising its benefits, and the effective integration of the proposed Smorgon Steel transaction to deliver the expected level of benefits,” Geoff Plummer said.

The OneSteel Board declared a final dividend of 10 cents per share fully franked, bringing total dividends for the year to 17.0 cents with an associated payout ratio of 56%. This compares with a 13.5 cent fully franked dividend paid in the previous year. The dividend is to be paid on 19 October 2006, with close of books on 1 September 2006. The DRP will operate for the final dividend. DRP election notices must be received at OneSteel’s Share Registry by 5.00pm on 1 September 2006 (the Record Date).

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