Media Release

OneSteel Lifts Net Operating Profit After Tax By 16.8% to $98.2 Million in the Six Months to December 2006

20 February 2007

OneSteel Limited Managing Director and Chief Executive Officer, Geoff Plummer, announced today that OneSteel had achieved a net operating profit after tax of $98.2 million in the six months to December 2006, up 16.8% from the $84.1 million comparable profit of the corresponding period last year. This represents a 15.4% increase in earnings per share to 17.2 cents from 14.9 cents.

Geoff Plummer said, " It is very pleasing to report another profit improvement and continued double-digit growth in earnings per share. I am also pleased that we have managed our gearing ratio at the lower end of our target range after investing almost $310 million over 24 months on our major expansion project, Project Magnet. Another highlight is the 9.6% increase in raw steel production to a record 877,819 tonnes.

" Management achieved cost reductions of approximately $17 million to help offset inflationary costs and price increases for raw material inputs that took total cost increases to over $58 million. Management also achieved revenue enhancements of approximately $48 million.

" The result was achieved in a domestic market driven by the mining and resources sectors, and with solid non-residential and engineering construction activity. There continues to be 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 remains very fluid.

" Project Magnet capital construction work is due to be substantially completed in the 2006/07 financial year, with around $310 million spent as at 31 December 2006. The total cost of the project was previously forecast at $355 million plus an additional 5%. However, with continued cost pressures and the recent flood at Whyalla, the current estimate is $385 million, or approximately 8% over budget. Of the remaining $75 million to be spent, $45 million, or 60%, was committed as at 31 December 2006, providing us with a high level of confidence.

" During the period under review, export sales of iron ore lump and fines exceeded 700,000 tonnes, in line with the ramp-up in ore sales that was announced in May 2005. In addition, we sold almost 150,000 tonnes of off-spec ore by-products.

" In relation to the merger between OneSteel and Smorgon Steel Group Limited, it was announced on 2 February 2007 that OneSteel and Smorgon Steel have adopted and will proceed to implement the "New Transaction" that was announced on 18 December 2006 as the means to effect the merger of the companies. As a result, the Scheme of Arrangement that was announced on 26 June 2006 will no longer be pursued.

" Separately, on 18 December 2006, OneSteel and Smorgon Steel announced a proposal to form a joint venture of their respective structural pipe and tube businesses, subject to approval of the proposal by the Australian Competition and Consumer Commission (ACCC). On 31 January 2007 the ACCC announced that it would not intervene in the proposed joint venture. Accordingly, the joint venture is now unconditional and OneSteel and Smorgon Steel look forward to implementing the joint venture at the earliest feasible date to realise the synergies that both companies believe will be delivered by the joint venture.

" Trading conditions are in line with our expectations. The mining and resources segments are driving domestic activity, along with solid non-residential and engineering construction markets. These continue to offset softness in the manufacturing, automotive and residential and drought-affected rural segments. International prices for steel and key inputs such as scrap and hot rolled coil are expected to remain fluid and with the recent iron ore price settlement, the medium-term outlook for iron ore prices continues to be positive.

" Flooding at Whyalla in late January which caused damage and disrupted operations at the Whyalla Steelworks will impact the financial and operational outcomes of the current financial year, including slowing construction of Project Magnet by approximately one week and deferring some iron ore export sales into the next financial year.

" Management's main priorities are unchanged, namely to further improve returns from existing core businesses, complete Project Magnet and deliver its value, realise the benefits of the pipe and tube joint venture, and complete and effectively integrate the Smorgon Steel New Transaction to deliver the expected level of benefits," Geoff Plummer said.

The OneSteel Board declared an interim dividend of 8.0 cents per share fully franked. This compares with a 7.0 cent fully franked interim dividend paid for the six months to December 2005. The dividend is to be paid on 19 April 2007, with close of books on 9 March 2007. The DRP will operate for the interim dividend. DRP election notices must be received at OneSteel's Share Registry by 5.00pm on 9 March 2007.

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FINANCIAL RATIOS
6 MONTHS ENDED 31 DECEMBER

$A millions	Dec-06	Dec-05	% Change
Sales	2,134.3	1,988.8	7.3%
Other Revenue / Income	16.7	16.3	2.5%
Total Revenue / Income	2,151.0	2,005.1	7.3%
Gross Profit	468.8	432.3	8.4%
Operating EBITDA	218.0	203.5	7.1%
Depreciation & Amortisation (excl goodwill)	(48.1)	(47.4)	1.5%
Operating EBIT	169.9	156.1	8.8%
Finance costs	(26.3)	(29.4)	(10.5%)
Operating Earnings before tax	143.6	126.7	13.3%
Tax	(39.2)	(34.5)	13.6%
Operating PAT before MI	104.4	92.2	13.2%
Minorities	(6.2)	(8.1)	(23.5%)
Net operating profit after tax	98.2	84.1	16.8%
Total Assets	3,375.3	3,058.3	10.4%
Inventory	888.8	840.2	5.8%
Total Liabilities	1,804.1	1,619.9	11.4%
Funds Employed	2,375.3	2,144.6	10.8%
Total Equity	1,571.2	1,438.4	9.2%
Net Debt incl Derivatives	804.1	706.2	13.9%
No of shares (at end of period)	570.4	564.3	1.1%
Operating cash flow	90.8	93.7	(3.1%)
Free Cash Flow	(86.2)	(21.2)	306.6%
Capital and investment expenditure	177.0	114.9	54.0%
Operating Return on Assets (EBIT)	10.4%	10.2%	
Operating Return on Equity	13.6%	13.1%	
Operating Return on Funds Employed (ROFE)	14.9%	14.9%	
Operating EBIT to sales	8.0%	7.8%	
Operating Earnings Per Share (cents) - year end	17.2	14.9	15.4%
Dividends per share (cents)	8.0	7.0	14.3%
Dividend payout ratio	46.7%	47.2%	
Gearing (net debt / net debt + equity) incl derivative	33.9%	32.9%	
Gross Profit Margin	22.0%	21.7%	
Interest cover	6.5	5.3	
NTA per share ($)	2.26	2.03	11.3%
Employees	7,733	7,269	6.4%
Sales per employee ($000s)	276	274	0.7%
Cost increases	58	166	
Cost reductions	17	21	
Revenue enhancements	48	166	
Raw steel production	877,819	800,603	9.6%
Steel tonnes despatched	1,143,329	1,100,621	3.9%
Steel exports, % of total steel despatches	3.6%	8.6%	

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